

The Role of Microfinance as an Innovative Strategy for Low-income Housing Delivery in Developing Countries

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(MSc, BSc, HND)

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ABSTRACT

One of the greatest challenges faced by post-independence Developing Countries (DCs) is an immense backlog, shortages and unsatisfactory conditions of housing for the poverty-stricken and lowest socioeconomic groups of their population. Governments and their development partners have previously embarked on many ambitious housing programmes by engaging in mass delivery of urban housing in fulfilment of the vision of adequate housing for all as reflected in many international housing policy frameworks. However, over a million of the lowest socioeconomic groups in DCs are still living in housing poverty. This is as a result of rapid urbanisation outpacing the effectiveness of most housing policies.

Moreover, rapid urbanisation has led to lack of employment and lack of access to low-income housing finance among low-income groups to meet their housing needs. To address such challenges requires alternatives and innovative financial mechanisms such as Housing microfinance (HMF). Moreover, despite many microfinance institutions (MFIs) operating worldwide, there are only a few that operate within the low-income housing market. There is also little evidence in the literature about the role and motivations of such institution's involvement in the provision of HMF to low-income groups, particularly in Ghana.

This study investigated the role of microfinance as an innovative strategy and modelled the motivations behind MFIs' intention to enter the low-income housing market. The primary aim of the study was to explore the role of microfinance as an innovative strategy and the motivation behind MFIs' and individuals in low-income group's intentions to supply or demand HMF in Ghana. The study adopts a mixed method research approach involving in-depth interviews with three Housing Microfinance Institutions and focus group discussions with 36 low-income groups in the Greater Accra and Ashanti regions in Ghana. A total of 200 survey questionnaires were also distributed to MFIs of which 135 questionnaires were returned, and 125 were usable. The qualitative data was analysed using Nvivo Version 10. The Statistical Package for Social Sciences (SPSS) Version 22 and Partial Least Square Structural Equation Modelling (PLS-SEM) Version 3.0 Software were also used to analyse the quantitative data. A model of MFIs' intention to enter the low-income housing market was subsequently developed and analysed.

The results show that existing Housing Microfinance Institutions motivations are the social, economic and sustainability incentives for being in the low-income housing market. It further emerged that risks and appetite for profit are the strongest demotivating and motivating factors that can deter or attract new MFIs into the low-income housing market. The provision of construction and technical assistance as part of HMF packages will serve as a moderating factor between both demotivating and motivating factors. The barriers and constraints in the supply and demand for HMF include indigenous, industry capacity, credit and managerial, economic and finance issues, low-income and stringent HMF eligibility requirements. On the other hand, the risk factors identified were behavioural and relationship, economic and financial issues. Others are lack of institutional and regulatory framework, collateral and security issues, socio-cultural and construction risks. Furthermore, low-income groups are motivated to use HMF for new construction and land acquisition due to their desire for individual home ownership rather than renting. The model of intention shows that the motivating factors were more significant in predicting intention than the demotivating and moderating factors. However, together with their latent variables and factors, they explained 45% of MFIs intention to enter the low-income housing market in Ghana.

The study, therefore, recommends the establishment of a national housing authority and a separate supportive and financially inclusive regulatory environment for HMF delivery. The development of any HMF programmes by the government, donor partners and MFIs should take into account the motivations behind the decisions of those in low-income groups to use HMF, rather than their effective demand for housing. Housing Microfinance Institutions should be more efficient, innovative, sustainable and viable by making their products simple, accessible and transparent. Furthermore, the future of the low-income housing market in DCs should be responsive to the 12-factor model of intention, and especially the demotivating factors vis-a-vis those from the low-income groups' perspectives.

The study provides stakeholders in the two sectors with a set of prioritised factors for making rational decisions concerning the supply and demand for HMF to low-income groups to meet their housing needs. The study demonstrates the role and usefulness of HMF and the motivations behind MFIs' and low-income groups' intentions to supply or demand HMF in Ghana. It has uncovered the barriers and risks associated with the provision or demand of HMF in a developing country context. Moreover, it has also re-

contextualised the Push-Pull-Mooring model of human migration in a new context of demotivating-motivating-moderating factors. Hence, the study offers a foundation for other researchers to use as a follow-up for future research. Notwithstanding, further studies are required to investigate and establish the varying levels and segmentation needs of both markets.

DEDICATION (*if any*)

To God, Great is His kindness towards me
To the entire Bondinuba fraternity
To Neola, my stalwart companion and confidant through thick and thin
To Sally and Kaanaa, for the patience demanded from you at such tender ages

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Research Thesis Submission

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GLOSSARY

AfDB	African Development Bank
ADB	Agricultural Development Bank
AGP	Appetite for Growth and Profit
AR	Ashanti Region
AVE	Average Variance Extracted
BBC	British Broadcasting Corporation
BOG	Bank of Ghana
BOP	Bottom of the population
BOO	Build-Own-Operate
CAHF	Centre for Affordable Housing Finance Africa
CEPA	Centre for Policy Analysis
CHF	Cooperative Housing Foundation
R ²	Coefficient of Determination
COL	Collateralisation
CTA	Construction and Technical Assistance
CGAP	Consultative Group to Assist the Poor
DCs	Developing Countries
EEN	Ease of Entry
ECOWAS	Economic Community of West African States
ESL	Ezi Savings and Loans Company
FA	Factor Analysis
FGDs	Focus Group Discussions
GDP	Gross Development Products
Gh.	Ghana
GhAMFIN	Ghana Association of Microfinance Institution Network
GNSDF	Ghana National Spatial Development Framework
GSS	Ghana Statistical Services
GASLL	Global Access Savings and Loans Limited
GFM	Global Finance Magazine
GAR	Greater Accra Region
HIV	Human Immunodeficiency Virus
HM	Housing Market
HMF	Housing Microfinance
HMF-User	Housing Microfinance user
HFC	Home Finance Company
HFC-Boafo	Home Finance Company-Boafo Microfinance Services Limited
HOM	Homeownership
IMF	International Monetary Fund
INC	Income
IF	Innovative Financing
IFS	Innovative Financing Strategies
IRR	Interest rates
KMO	Kaiser-Mayer-Olkin
LST	Land Tenure and Security
LTV	Loan-to-Value
MBbl	Thousand Barrels of Oil
MDGs	Millennium Development Goals
MFI	Microfinance institutions
MI	Intentions
MCHF	Microcredit for Housing Finance

MIX market	Microfinance Information Exchange
Mode	Moderating
Moo	Mooring
Moti	Motivation
N	Number
NHA	National Housing Authority
NGOs	Non-Government Organisations
Non-HMF-User	Non-Housing Microfinance User
OECD	Organisation for Economic Co-operation and Development
ODA	Official Development Assistance
OISL	Opportunity International Savings and Loans Company
PLS-SEM	Partial least square structural equation modelling
PNDC	Provisional National Defence Council
P&R	Policy and regulations
PSA	Provider Strategy Approach
PPM	Push-Pull-Mooring
RI	Respondent Institutions
RSK	Risk
S&LC	Savings and Loans Companies
SAHF	Shelter advocacy to housing finance
SAT	Sinapi Aba Trust Savings and Loans Company
SLM	Size of the housing market
SmartPLS	Smart Partial Least Squares
SME	Small medium enterprises
SCC	Social cultural capital
SSA/UHSNET	Shelter and Settlements Alternatives: Uganda Human Settlements
Network	
SSCE	Senior Secondary Certificate of Education
SPSS	Statistical Package for Social Sciences
SWOT	Strength, Weakness, Opportunities and Threats
SSA	Supporters' Strategy Approach
TRT	Trust
UNCHS	United Nations Centre for Human Settlements
UN-Habitat	United Nations Human Settlements Programme
USL	Union Savings and Loans Company
UN	United Nations
US	United State
USD	United State Dollar
USIAD	United States Agency for International Development
WASSCE	West African Senior School Certificate Examination
WOM	Word of mouth
WB	World Bank
YAP	Youth Apprenticeship Programme

LIST OF PUBLICATIONS BY THE CANDIDATE (*optional*)

- Bondinuba F.K.**, Karley N.K., Biitir S.B., Adjei-Twum A., **(2016)** ‘Assessing the Role of Housing Microfinance in the Low-income Housing Market in Ghana’, *Journal of Poverty, Investment and Development* 28, 44-54.
- Bondinuba, F. K.**, **(2015)** July. Exploring the Motivational Factors for Microfinance Institutions Entry and Non-Entry into the Housing Market in Ghana. In *Proceeding of New Researchers Colloquium ENHR 2015 Annual Conference ENHR 2015 Housing and Cities in a time of change: are we focusing on People?* (Lisboa, Portugal), 28 June-1July 2015; ENHR.
- Bondinuba, F. K.**, **(2014)** July. Innovative Financing Strategy for Low-income Housing Delivery in Developing Countries. In Stephens, M. (eds.), eBook of Abstracts *Proceedings of New Researchers Colloquium ENHR 2014 Conference, Beyond Globalisation: Remaking Housing Policy in a Complex World*, (Edinburgh, United Kingdom), 1-4 July 2014; ENHR. 1-10.
- Bondinuba, F.K.**, Nimako, S.G., and Karley, N.K., **(2013)** ‘Developing Student Housing Quality Scale (SHOQUAL) in Higher Institutions of Learning: Factor Analysis Approach’, *Journal of Urban Studies Research*, [Available] at <http://mts.hindawi.com>.

INTRODUCTION

1.0 General Introduction

This Chapter sets out the general introduction to the study background which leads to the formulation of the research problem statement, which aids in defining the main aim and objectives as well as the research questions. Subsequently, the justification and scope of the study are presented with a brief introduction to the research methodology used. This first chapter concludes with an overview of the geographical area of the research as well as the organisation of the entire thesis into chapters.

1.1 The Background to the Study

Many DCs face post-independence challenges which include an immense backlog, shortages and unsatisfactory conditions of housing for the poverty-stricken and low-income groups segment of their population. Governments and their development partners have previously embarked on many ambitious housing programmes to engage mass delivery of urban housing to fulfil the vision of adequate housing for all, as reflected in many international housing policy frameworks. However, over a million of the low-income groups in DCs are still living in housing poverty. Low-income groups in the context of this study refer to the lowest socioeconomic individuals or families who earn a daily income of between \$2.00 to \$4.00 and may be eligible for social services that include cash assistance, subsidised medical insurance and low-income housing. These groups of families are often found in DCs and in the case of Africa they constitute about 24% of its population (AfDB et al., 2011).

A developing country, according to Luo (2002, p.5) is a country in which *“its national economy grows rapidly, industry is structurally changing, market is promising but volatile, regulatory framework favours economic liberalisation and the adoption of a free trade market system, and its government is reducing bureaucratic and administrative control over business activities”*. According to the World Bank (2013), such countries have a low income per capita, with a Gross National Income of less than US\$ 11, 905 and low Gross National Happiness, which is a measure of the degree to which their citizens are allowed to enjoy a free and healthy life in a safe environment. Another characteristic of DCs is by Ura et al. (2012) who suggest that high urbanisation in countries such as those found in Africa, Latin America and Asia makes them susceptible to the growth of slums, and squatters, due to the prevalence of urban poverty and these are the countries of reference in this study.

In other words, the study refers to countries found in Sub-Saharan Africa which have a greater percentage of their population earning less income with significantly weaker social indicators (Havnevik et al., 2003). Countries in these regions are urbanising at an unprecedented rate, which exerts much stress on their already inadequate resources. As such, critical sectors such as the area of housing have not been given the much-needed attention by government and other interested stakeholders (UN-Habitat, 2011a). Specifically, Ghana is the country among these countries selected for the study. Section 1.6 presents the attributes of Ghana and Figure 1.1 shows the classification of DCs in the world.



Figure 1. 1: The World Bank Geography of DCs. Source: World Bank (2013)

The supply and demand for housing have been a political, economic and policy issue for many years since some DCs attained independence. This is due to the importance of housing regarding its role in enhancing the quality of people's lives and the value they assign to it (Bondinuba et al., 2013). Moreover, the conditions of housing, particularly in the urban centres of many DCs, have also been a political, economic and social policy issue. This is as a result of the harsh shadows housing conditions cast for policy makers, the citizens and the international community. These shadows come in the form of housing shortages, soaring home prices, increases in squatters and deteriorating housing conditions among the lowest socioeconomic segment of the population. Other issues surrounding housing include the continuous decrease in market access for homeownership, lack of access to affordable low-income housing finance and affordable land among the low-income groups. These issues seem to suggest that there is a growing lack of access to adequate shelter, which, according to

evidence from UN-Habitat (2015) further points to this as a global challenge that, is growing fast due to rapid urbanisation.

Housing, apart from serving as a shelter, also serves as a commodity and investment or property (Serageldin and Steele, 2000). Shlay (2006) suggests that stable housing is not only intrinsically linked to the maintenance of a loyal citizenry, but also ensures social and family stability. Housing ensures low-income groups' satisfaction and stimulates both voluntary and civic participation in both local and national governance in the country. Housing generates employment and increases the local and national tax base, thereby curbing criminal activities arising as a result of lack of employment. Adarkwa and Oppong (2007) concede that the multiplier effect of housing in an emerging economy such as Ghana is undoubtedly very critical to both the urban and the national economy.

Arguably, the above indicates that there are some social, political and economic trade-offs that the housing sector can offer to the economies of DCs. In this regard, the UN-Habitat, in its resolution HSP/GC/25/L.6 of its 25th governing council session positioned housing at the centre of national urban policies (UN-Habitat, 2015). They encouraged member states to innovate and design tools and strategies that will promote inclusive housing finance at both local and national levels to bridge the housing gap and ensure the right to adequate housing.

A decent and habitable low-income housing unit is often considered as a priority for every household in DCs such as Ghana. Low-income housing is a form of housing designed and built to meet specific eligible households whose needs are not usually met by the open market. In meeting such needs, low-income groups' housing must be available at a cost low enough for what they will be willing and able to afford. This must be determined with regard to the local incomes and local housing prices. Although, the characteristics and state of housing differ among DCs, those within sub-Sahara African exhibit some similarities which appear applicable to the entire region. The right to adequate housing by low-income groups in many of these countries is affected by many factors. These factors, when viewed through the national and global lenses are geographical, economic, social, cultural and political in nature. These factors are summarised in Figure: 1.2 below. Thus, at the local and micro levels, there are three factors: rapid urbanisation, ineffective housing policies regarding city planning and building codes and lack of access to low-income housing finance, which are considered as critical to be addressed, as shown in Figure 1.3.

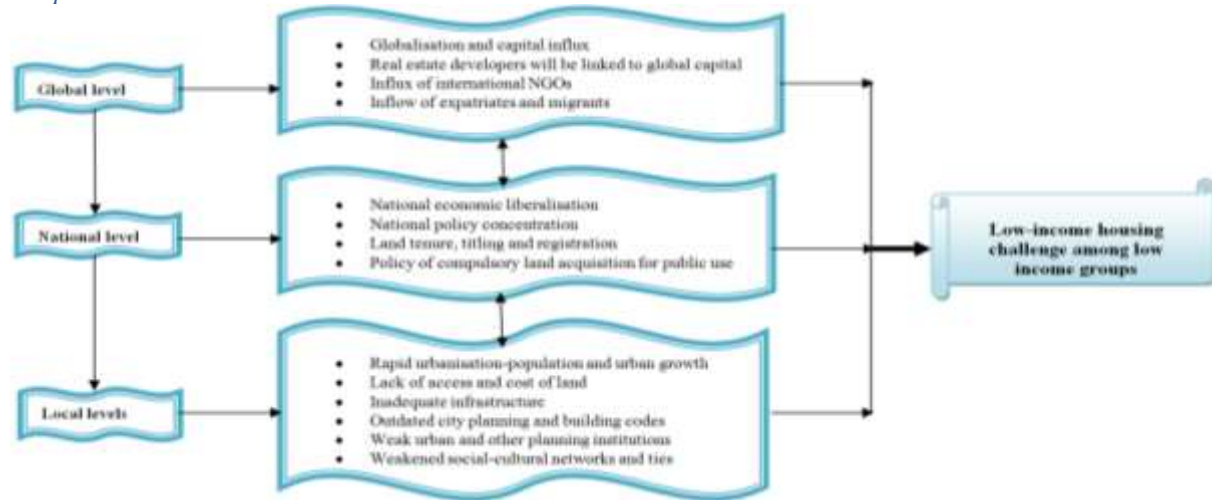


Figure 1. 2: Factors Influencing the Supply and Demand of Low-income Housing in DCs. Sources: Adopted and adapted from Owusu (2011)

There is overwhelming evidence upholding the notion that urbanisation is not only an economic and social problem but also an environmental issue and a driver of urban planning policy issues (Pugh, 2013; McGranahan and Satterthwaite, 2014; Obeng-Odoom, 2015). Along similar lines, Greenfield (2009) argues that urbanisation is both social and economic, as well as an environmental phenomenon, and is caused by some push and pull factors. These factors result in the movement of human beings from smaller settlements or communities to larger settlements to better their living conditions. These push and pull factors of migration include high birth and low death rates, migration, globalisation, unequal distribution of resources, among others. In the context of its magnitude, it has been estimated that the world urban population will rise to over five billion in 2050, of which about 66% of the population will live in cities (UN-Habitat, 2010; United Nations, 2014). Asian regions, which are the fastest growing, are currently about 64 % urbanised while their counterparts in Africa are around 56% (United Nations, 2014). Similarly, whereas the rate of urbanisation in Asia is estimated at 1.4 percent per year, that of Sub-Sahara Africa is currently 1.3 per cent and only 0.5 per cent in North Africa (McGranahan and Satterthwaite, 2014). However, available data suggest that Africa urbanisation will outpace that of Asian from 2020 as a result of stagnation in the urbanisation process in China (United Nations, 2014). In the case of Ghana, it is currently 53% urbanised with 42 % of its population living in its principal cities (GSS, 2013). By the year 2020, the country's total population is projected to reach 30.0 million with the total urban slum population also expected to increase to about 5.0 million (UN-Habitat, 2015).

As the scale of urbanisation continues to grow, the task of providing appropriate, decent, adequate and affordable housing to low-income urban dwellers will continue to be one of the

most intractable problems facing DCs such as Ghana. In a nutshell, rapid urban population growth and uncontrolled urban growth and expansion in DCs are likely to lead to the provision of housing with limited services and infrastructure. Experts believe that urbanisation, particularly in Sub-Sahara Africa, is not keeping pace with its economic growth (K'Akumu, 2007; Owusu, 2011). The BBC (2007) for instance reported that the rate of urbanisation in Sub-Sahara African countries was similar to that of China and India which are considered as the industrial giants of the future but their economic growth was nowhere near that of these two countries (Owusu, 2011). However, the slow pace of economic growth and lack of services and infrastructure is as a result of rapid urbanisation that has affected housing policy designs and implementation towards achieving adequate and decent low-income housing that meets low-income groups' housing needs.

The ineffectiveness or non-existence of public policy or a regulatory framework for low-income housing delivery is also evident in most DCs such as Ghana. This phenomenon has also intensified the low-income housing delivery debates in such countries. For instance, the shift of government and the state from being a provider to a manager of the housing market, through the enabling and whole sector housing policies prescription of their development partners, has not been effective in the delivery of urban housing in comparison to the rate of demand. Many scholars argue that the policy interventions of the World Bank and other development partners, particularly in the early part of the 2000's, have drawn policymakers' attention to the scale of the urban housing problem in DCs (Pugh, 2013). The current policy on housing practice in some DCs has affected the housing sector in many ways. Salazar Cruz (2002) suggests that lack of government and state commitment towards housing policies that placed the poor rather than the middle class at the centre, in most cases, is a significant cause of both informal and inadequate housing situations within the urban peripheral in DCs. Subsequent studies have also come to the conclusion that sometimes the state and some government policies do not favour the urban poor (Tipple, 2015).

For instance, the policy of forced eviction (in the case of Ghana is known as “demolition of unauthorised structures” is carried out almost every year in informal settlements). These evictions can cause the prices of housing inputs, goods and services to rise above low-income group's incomes. Another unsatisfactory situation is the legal frameworks and judiciary systems that usually fail to protect the poor urban tenants better than their property-owning counterparts in society. The above phenomenon often results in double sales of land, in the

case of Ghana's cities, leading to numerous land litigations. These legal systems often exclude the poor from the mainstream society in some DCs.

On the above premise, the UN-Habitat and other international organisations have intensified efforts to address the urban housing problem in DCs. They have encouraged the design of urban policies in such a manner that will result in a broader social, economic and political inclusion. The "right to the city" is one such effort, where urban policies are designed and aimed at embracing the inclusion of the urban poor into mainstream urban life (Duncan, 2005). This movement, according to Kuymulu (2013), is receiving much attention and growing stronger. It means that the urban poor have come to stay and therefore meeting their housing needs is something that can no longer be treated only as a social right, but also as an economic and a political tool, in the case of Ghana, where the political class rely much on the subject of housing for votes.

It is not only rapid urbanisation and lack of effective housing policies that exclude the urban poor from adequate housing but also the lack of access to low-income housing finance that can help them meet their housing needs through their incremental building process. Most low-income groups in DCs build incrementally, and therefore also need finance that can be advanced to them on an incremental basis to meet their housing needs. However, most DCs' finance systems are bundled and focus more on formal mortgage finance (Konadu-Agyemang, 2000). The consequence of this situation is that low-income groups are usually excluded from the finance systems, due to their low income and the inability to meet lending requirements of these mortgage institutions among other factors. However, several studies have advanced and underscored the importance of access to finance as the backbone of a system in which most of the crucial elements of housing investment can be realised (Chiquier and Lea, 2009; Gibb et al., 2013). Doling et al. (2013) thus suggest that the availability and affordability of finance is a necessary condition for achieving adequate and decent housing. The availability of affordable low-income finance will also determine access by low-income groups to other key inputs of land, labour, materials and other housing infrastructure inputs, such as clean water and electricity.

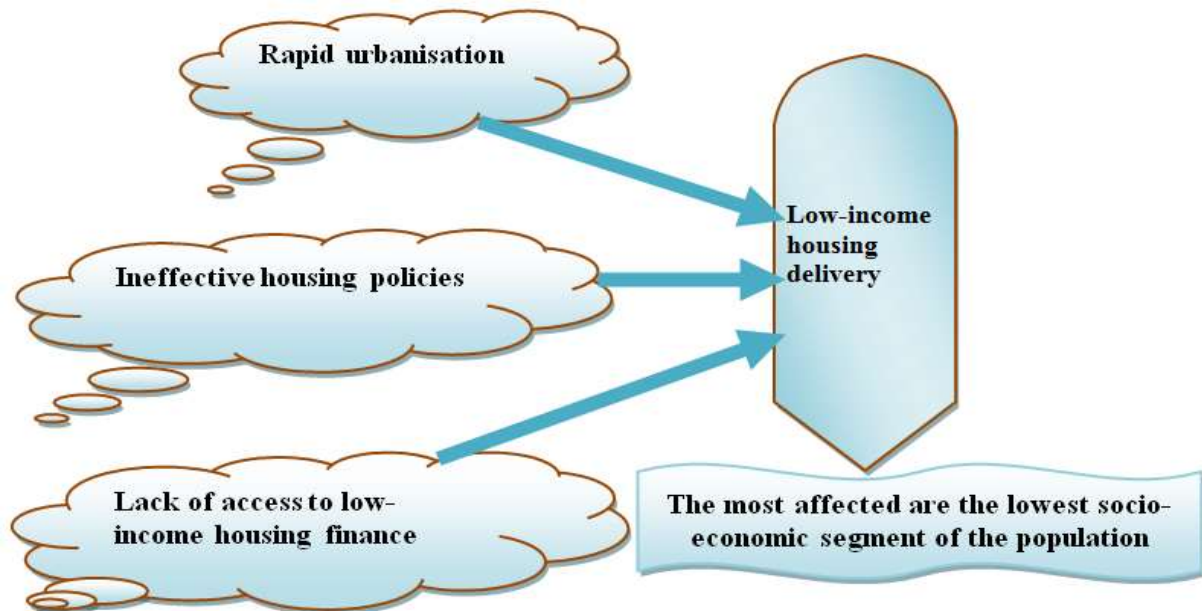


Figure 1. 3: Contributing Factors to the Low-income Housing challenge in DCs. Source: Author's construct.

1.1.1 Access to Finance by Low-income Groups

It has been argued that although the housing finance sectors in most DCs are growing steadily, access to low-income housing finance by low-income groups remains a fundamental challenge (Köhn and von Pischke, 2011). Bolebano (2014) observes that this situation persists due to certain stringent financial regulations that lack consistent strategies to support the housing finance systems that best fit the poorest segment of the population, who rely on the incremental building process. In the case of Ghana, the provision of housing is mostly through outright purchase, self-build and rental from private estate developers, housing companies, individuals and others. Conventional housing finance institutions are commercial banks which dominate in the provision of housing finance in the country (Boamah, 2011). These organisations, such as the home finance company (HFC), support all kinds of property investment, including development, commercial, industrial and residential houses (Nsiah-Gyabaah, 2013). However, the focus of the other commercial institutions is on mortgage financing schemes for residential properties, while other banks offer mixed portfolios (Konadu-Agyemang, 2000). They usually exclude those at the bottom end of the housing market. Therefore, such income groups require efficient and innovative financial mechanisms that best fit into their housing development efforts and process.

In recent times, many creative and semi-financial institutions with aims other than profitability, such as Savings and Loans Companies (S&LC) and MFIs have started to play a significant role in the provision of low-income housing finance to the lower income groups across many DCs. These institutions develop and bundle financial products to best fit into the

incremental building process of most low-income groups. One such product is HMF, which falls into the category of innovative financing strategies that can be improved to finance low-income housing in both developed and developing countries.

1.1.2 Innovative Financing Strategy for Low-income Housing Delivery

Innovative Financing Strategy can mean different things to different people, depending on the context within which the term is applied. In order to understand the concept, the Taskforce Working Group 2 (2009) defines innovative financing as funding mechanisms or strategies used to advance and use funds, in addition to traditional official development assistance (ODA). The World Bank (2009) also observes that innovative financing involves the use of non-traditional, joint public-private mechanisms and funds that support fundraising efforts of development partners with new resources and ideas. These efforts can be used to deliver financial solutions and strategies to developmental problems on the ground, such as the low-income housing challenges facing the urban poor in DCs. The concept has emerged to consider alternatives and new financing strategies regarding expanding the idea of who can provide finance, as well as how finance can be supplied and used (Badu et al., 2012). However, all these definitional concepts seem to be viewing innovative financing strategies through the macro lens rather than at the micro levels of delivering development projects.

Extant literature has indicated that innovative financing has been successfully used in the water sector (Trémolet et al., 2007), the health sector and in the capital infrastructure delivery process in many countries (Badu et al., 2012). In the context of low-income housing delivery, Innovative Financing Strategies can be considered as mechanisms that are intended to advance and mobilise community, locally based private, and NGO funds that support low-income groups in meeting their housing needs. These mechanisms go beyond conventional or formal financing approaches by either public or private sources. One such possible mechanism suitable for the housing sector is the use of HMF to meet the housing needs of low-income groups in the housing market in DCs.

According to the global report on human settlements (UN-Habitat, 2005), HMF is an important potential financial resource that is capable of increasing the rate, scale and quality of housing finance supply in DCs. It is further suggested that HMF, which is operated mainly by the private or informal sector institutions in Ghana, has the potential to serve as a means by which the low-income groups already excluded from the formal housing finance market can access finance to meet their housing needs (Malhotra, 2003; Daphnis and Ferguson, 2004; Bondinuba et al., 2016a). Access being a major challenge of the poor, HMF can serve

as an enabler for the urban poor to obtain affordable low-income housing finance. This will happen due to MFIs ability to enable the housing market to stretch down to the lower income levels using innovative mechanisms such as HMF, micro-insurance and micro-credits, among others (Bondinuba et al., 2016a). Surprisingly and despite the growth of HMF globally, there is limited empirical research on how well such a mechanism has contributed in meeting the housing needs of low-income groups, particularly in Ghana. Having outlined the background of the urban housing problem in DCs, the next subsection demonstrates the magnitude of the problem and the gap research in extant literature on the subject of HMF.

1.2 The Research Problem Statement

For many years, both the research community and policy makers have debated on the role of housing and the need to channel not only private finance but innovative financing mechanisms towards financing housing (UN-Habitat, 2011b; Gibb et al., 2013). This debate will continue so far as the provision of low-income housing in many DCs is regarded as social goods and must be provided by the state. This belief among both low-income groups and policy makers is at variance with the methods of housing delivery in most of these countries (Buckley and Kalarickal, 2005). It has been established that low-income groups themselves have widely undertaken housing provision in most DCs through their sweat savings and with the help of community and family members (Buckley and Kalarickal, 2005; Daphnis and Ferguson, 2004; Greene and Rojas, 2008). These sources of financing low-income housing among low-income groups have not been adequate to address the enormous housing needs that exist among them. Regarding the magnitude of housing needs, the World Bank (2015) estimates that the global housing needs to accommodate an anticipated 50 million new urban dwellers is over a billion housing units at an estimated cost of between USD 9 to 11 trillion by the year 2025. The McKinsey Global Institute (2014) also estimates that there are over 330 million people in DCs who are financially stretched by their housing costs, and this is also expected to increase up to 440 million households by 2025. The UN-Habitat (2011a) profiled the Ghanaian housing situation and estimated that the country would need over 2.80 million housing units by the year 2020, which are to be supplied by both formal and informal housing market.

Increasingly, many low-income groups in Ghana are homeless, and their housing conditions are almost classed as living in housing poverty. In the opinion of Pugh (2013), urban housing poverty is the lack of appropriate, decent and adequate housing which meets the needs of the urban poor. Housing poverty is usually as a result of lack of sustainable employment, leading to the existence of low-income groups in urban cities (Bonnetfooy, 2007). In Ghana, most low-

income groups meet their housing needs largely through incremental savings over a period. Incremental savings towards housing also work best within the principles of microfinance. However, according to (UN-Habitat, 2011a), only a few MFIs operate in the country, with limited funding, which, therefore, affects them regarding scaling up and reaching out to the urban poor with low-income housing finance such as HMF.

Notwithstanding the findings of the above study, in recent times there has been an increase in the number of both MFIs and Housing Microfinance Institutions operating across the length and breadth of the country. Whereas the Ghana Association of Microfinance Institutions Network (GhAMFIN, 2013) annual report indicates that there are about 2,234 MFIs in the country, the Bank of Ghana official website reports on only 545 institutions operating in all the regulated categories in the microfinance sector. Regardless of the inconsistency regarding the number of MFIs operating in the country, the figures indicate a tremendous growth in the microfinance sector. However, what is yet unknown are the reasons behind this large number of MFIs operating largely in the informal and low-income market, yet unwilling to enter the low-income housing market, despite the size of the demand for housing consumption, as estimated by UN-Habitat (2011b).

The fear of significant losses potentially to be suffered by investors in the event of low-income groups' inability and unwillingness to pay for such products from MFIs is one of the possible reasons. Additionally, government policy on housing and land ownership is another barrier to the development of formal low-income housing finance for low-income groups in Ghana. This is because the traditional land system does not guarantee security for a loan in the country. Low-income groups are therefore not able to trade in their parcels of land for some form of financial assistance from these risk-averse MFIs.

The research community has also contributed to the subject of lack of access to finance and HMF in both developed and DCs context. For instance, Manoj (2008) gave a general overview of the inclusive finance systems of different countries and suggested an HMF model approach that he considered suitable for the Indian low-income housing market. Manoj (2010) also provides an informative account of emerging technologies and financing strategies and models used for financing affordable housing and points to HMF as a suitable mechanism for low-cost housing in India. Beacon for Hope is another study on Ghana by Biitir (2008), who observes that HMF has significant capacity to speed up the incremental building process of low-income groups in Accra and thus shorten the time used for housing

development. However, having conceded that HMF is a new product and an innovative financing strategy, Biitir (2008) laments on the minimal impact HMF is making because of the risk-averse nature of the suppliers. At the time of the above study, the number of providers of HMF countrywide was only three institutions, which means that the timing of the above study was too early, with overambitious impact expectations within a limited area of study. Other studies on the subject in Ghana include Derban et al. (2002) and BOG (2007). However, many of these studies have not been able to establish besides the debate concerning the lack of access, the factors, reasons and motivation behind MFIs intention to make use of or not take advantage of the opportunities that exist in the low-income housing market in Ghana.

Moreover, there is a lack of predictive theoretical models in the HMF genre that establish and explain MFIs intentions to enter the housing market in DCs. The concept of intention is the resolve and determination by an organisation with eagerness to achieve a certain predetermined organisational goal (Setiya, 2015). Of course, organisations such as MFIs will have various reasons and motivations that influence their desire to achieve organisational success. However, the intention in this sense can be affected by three categories of motivation: demotivating, motivating and moderating factors. This study attempts to contribute to existing literature with the objectives of identifying and evaluating the demotivating, motivating and moderating factors behind MFIs' and low-income groups' intentions and decisions to supply or use HMF in the low-income housing market in Ghana.

1.3 The Study Aim and Objectives

The primary aim of the study is to explore the role of microfinance as an innovative strategy and the motivations behind MFIs and low-income group's intentions to supply or demand HMF in Ghana. The following specific objectives guide the study:

1. To identify and evaluate the motivations behind MFIs' intention on whether to enter the housing market
2. To determine and assess the motivations behind decisions of individuals in low-income groups on whether to use HMF to meet their housing needs
3. To evaluate the success of HMF as a means to meet the housing needs of low-income groups
4. To ascertain the barriers and constraints in the supply and demand of HMF
5. To discover the potential risks associated with the provision and use of HMF to meet the housing needs of low-income groups

6. To recommend measures that can improve the effectiveness of HMF delivery in Ghana.

Table 1.2 shows the objectives and how the mixed method research approach was used to achieve them.

1.4 The Research Questions

The research questions that guided the research aim and objectives are:

- What are the motivations behind MFIs' intention on whether to enter the housing market?
- What are the motivations behind decisions of individuals in low-income groups on whether to use HMF to meet their housing needs?
- How successful is HMF in meeting the housing needs of low-income groups?
- What are the barriers and constraints in the supply and demand of HMF?
- What are the possible risks associated with the provision and use of HMF?
- What measures could improve the effectiveness of HMF in Ghana?

1.5 Research Methodology

The study adopts an epistemological strand of research philosophy with a mixed method research approach. The choice of the investigation method is due to the multiplicity of the research questions, which necessitates the use of both qualitative and quantitative (QUAL-QUAN) model research approaches with a survey research strategy (Creswell, 2013). The use of the QUAL-QUAN approach enables the use of different research techniques such as interviews, FGDs, field observations and questionnaires in the study. The adoption of this methodology helped to saved cost, time, ensure quality and reduce risk during the data collection and analysis.

The research also adopts both deductive and inductive logical reasoning as a form of enquiry from general to specific and from the specific to the generalisation of the study findings. The motive behind this is that the study begins with a general review of the literature on the influence of rapid urbanisation, housing policies and practices, and HMF operations in meeting the housing needs of low-income groups in DCs. The review of both international and local literature contextualises Ghana as the specific developing country where the data collection took place. The results and findings are interpreted in the broader context of DCs.

Additionally, the combination of the QUAL-QUAN approach allows for pertinent factors, including those identified in the supply and demand of HMF by both MFIs and low-income

groups to be analysed appropriately. It also offers a more refined and deeper understanding of the relationship between the demotivating, motivating and moderating factors for MFIs' and low-income groups' intentions to supply or use HMF in Ghana. The use of a Push-Pull-Mooring model framework to explain the three categories of motivations for MFIs' intention also influenced the use of the mixed method. Figure 1.4 shows the entire research methodological process.

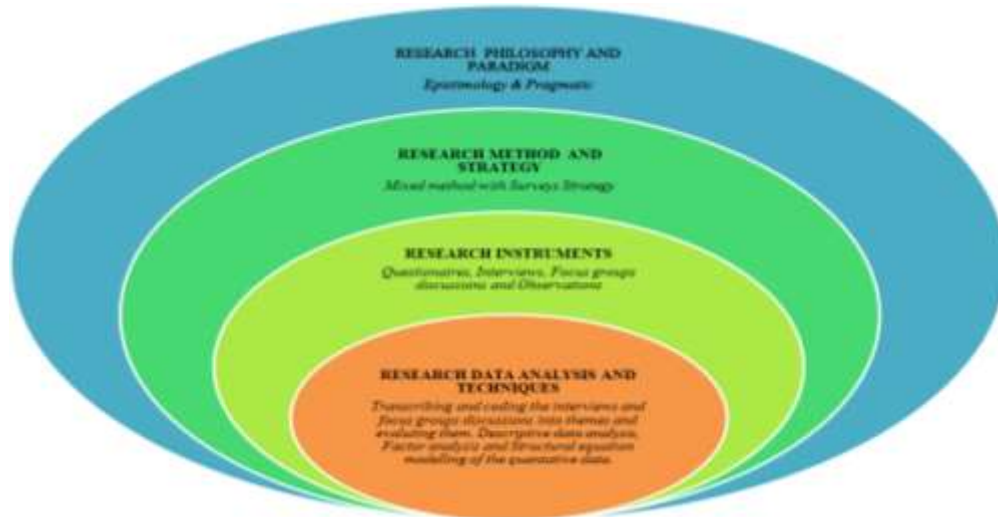


Figure 1. 4: The Research Methodology Approach. Source: Author's construct.

1.6 The Data Gathering Approach

Three out of five Housing Microfinance Institutions who are already providing HMF to low-income groups were interviewed. Prospective and existing clients of MFIs were identified, and a minimum of three groups of six clients was organised into focus groups in both Accra and Kumasi totalling 36 households to solicit information on the motivations behind their use and non-use of HMF to meet their housing needs. Out of 383 MFIs located within the chosen regions of the study, 200 of them were contacted with a pre-written series of questions. These questionnaires were given to loan officers and 135 of them were collected.

1.6.1 Data Analysis Techniques

The qualitative data was analysed by the use of Nvivo software version 10. This involves transcribing the transcripts carefully, reading and highlighting quotes and coding them. The software helped with recalling ideas for coding and developing concepts out of the collected data. Lastly, concept mapping was adapted and used to analyse the qualitative data by organising the ideas into coherent concepts.

The quantitative data were also analysed by the use of Statistical Package for Social Sciences (SPSS) software version 22. Descriptive analysis was used to reveal the possible perceptive patterns which are presented in the tables of the mean scores of the three categories of

motivations: demotivating, motivating and moderating variables of MFIs intention on whether to enter the housing market. Based on objective 1 of the study, further analysis was carried out using factor analysis (FA) to reduce the above-identified variables into potential and underlying factors for MFIs' intention to enter into the housing market. Partial least square structural equation modelling (PLS-SEM) software version 3.0 was also used to analyse the model of MFIs' intention to engage in the housing market in Ghana.

Table 1. 1: The Main Objectives and how they were realised through the Mixed Method Strategy

Objectives	Meaning or outcomes	The Research Methods and Strategy Adopted
1. To identify and evaluate the motivations behind MFIs intention on whether to enter the housing market	Identify and evaluate key determinants and antecedents behind MFIs intentions on whether to enter the housing market.	<u>Qualitative-</u> A reviews of relevant the literature on HMF operations and in-depth interviews with Housing Microfinance Institutions. <u>Quantitative-</u> The use of questionnaire from MFIs on the key de/motivating and moderating factors for their intention on whether to enter into the housing market. The data was used to analyse the model in Figure 8.1
2. To determine and assess the motivations behind low-income groups decision on whether to use HMF to meet their housing needs	Identify and evaluate key determinants and antecedents behind low-income groups' decision to use HMF as a financing strategy to meet their housing needs.	<u>Qualitative-</u> The use of FGDs with existing and potential clients of MFIs to identify the key de/motivating and moderating factors for their decision on whether to use HMF to meet their housing needs.
3. To evaluate the success of HMF as a means to meet the housing needs of low-income groups	Assess and analyse the impact of HMF in meeting the housing needs of low-income groups.	<u>Qualitative-</u> FGDs with beneficiaries to evaluate the impact of HMF on their housing situation regarding quality, quantity and their socioeconomic life. <u>Observation-</u> Field or site visit to existing housing projects of HMF beneficiaries to observe their housing conditions.
4. To ascertain the barriers and constraints in the supply and demand of HMF	Identify and evaluate the barriers and constraints in the supply and demand of HMF.	<u>Qualitative-</u> The use of in-depth interviews with Housing Microfinance Institutions on the perceived barriers and constraints associated with the supply of HMF to low-income groups. FGDs with beneficiaries to seek their views on the perceived barriers and constraints associated with the use of HMF.
5. To discover the potential risks associated with the provision and use of HMF to meet the housing needs of low-income groups	Identify and evaluate the potential risk factors associated with the supply and demand for HMF.	<u>Qualitative-</u> The use of in-depth interviews with Housing Microfinance Institutions on the perceived potential risk associated with the supply of HMF to low income groups. FGDs with beneficiaries to seek their views on the perceived potential risk associated with the use of HMF.
6. To recommend measures that can improve the effectiveness of HMF delivery in Ghana	Both policy and research gaps are analysed based on objectives 1 to 5 to recommend measures to improve the effectiveness of HMF delivery	The results arising from objectives 1 to 5 are used to make policy recommendations on how to improve on HMF supply and demand in Ghana

Source: Author's construct.

1.7 A General Overview of the Study Area, Ghana

1.7.1 Historical Background

Ghana is a country which traces its origin from the historic Ghana Empire. However, its present location is outside the old Ghana Empire. Gocking (2005) reports that the period between the 15th and 19th centuries witnessed a power struggle in the country among European nations for fortunes in the state's resources, such as gold and ivory. Amenumey (2008) also recounts that it was the Portuguese who first discovered gold in 1471 and built the first castle in Elmina in 1482. Other Europeans settlers in the then Gold Coast included the Dutch, Swedes, Danes and the British. According to Gocking (2005), the struggle for control and supremacy of the land and other resources resulted in the building of many forts and castles for both trading and served as dungeons for the infamous slave trade. The country gained independence from the British in 1957 making her the first state in Sub-Saharan Africa to attain independence.

1.7.2 Geographical Background

Geographically, the country is located on the west coast of Africa, about 750 Km North of the equator between latitudes 4° and 11.5° North and longitude 3.11° West and 1.11° East. The country has Burkina Faso to the north, La Cote D'Ivoire on the west, Togo to the east and the south the Gulf of Guinea as its boundaries. Ghana is a peaceful nation endowed with natural resources, including gold, cocoa and timber, which have contributed largely to the country's growth (World Bank, 2013). However, world prices for these resources are unstable, thus threatening the livelihoods of some of the poorest communities. It makes many of the low-income groups unable to meet their housing needs. It has ten administrative regions and is about 53% urbanised (GSS, 2013). The geographical map of Ghana and the regions of the study are present in Figure 1. 5.

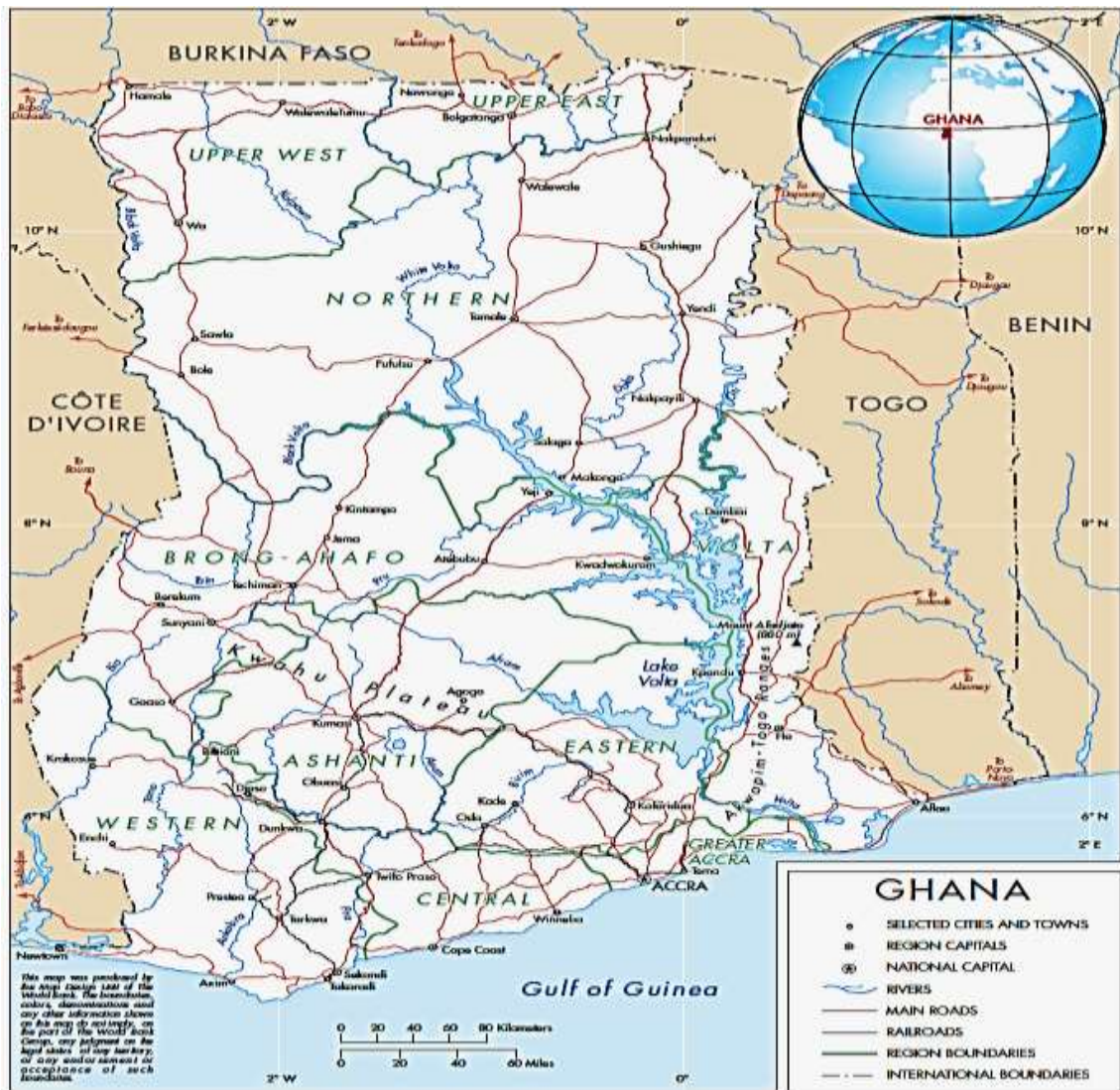


Figure 1. 5: Map of Ghana. Source: World Bank (2013).

1.7.3 Economic Background

An overview of the Ghanaian economy in 2013 by the Centre for Policy Analysis (CEPA) indicated an outstanding growth performance and effective macroeconomic policies, due to the stable political climate the country has enjoyed since 1992. Heinrich (2014) also reports that Ghana, with a year-on-year growth of between 7% to 9% growth, together with Angola, Mozambique, Zambia and Ethiopia, played a very crucial and central role in helping the African economy triple in size since 2000. It further claims that Ghana is one of the countries in sub-Saharan African that is pulling the continent into an unprecedented era of wealth creation and prosperity.

Ghana's GDP growth in 2015 was 3.4, lower than the figure of 4.0 in 2014, amidst energy and power limitations, high inflation and an ongoing IMF fiscal consolidation programme, which is weighing on the country's economic activities (CEPA, 2013). It is

expected to increase to 5.2 in 2016, as mining and oil, which contribute almost 50% of public revenue, increase. It is estimated that the country's oil production target for 2017 will be around 120 thousand barrels per day (MBbl/day) as against an average of 102 thousand barrels per day (MBbl/day) for 2013, as shown in Figure 1.6. Although this is not above international standards, it is a demonstration of the country's future economic prospect. Ghana's construction industry continues to grow steadily, and the combination of financial, real estate and other business services contributed almost 9.1% of GDP in 2011 (CEPA, 2013: GSS, 2013). It is an indication of the significance of the construction and real estate sectors of Ghana's economy.

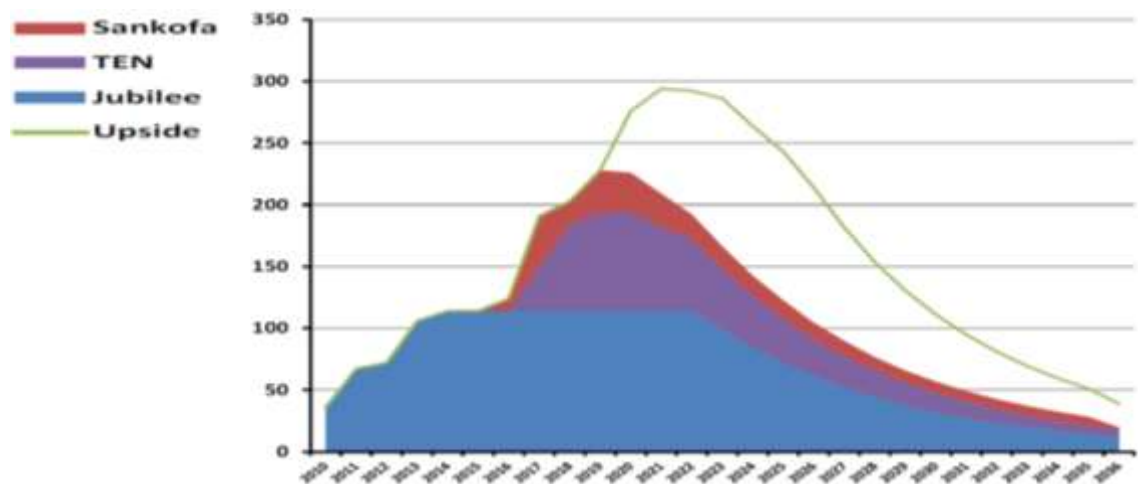


Figure 1. 6: Ghana Oil Production Profile. Source: CEPA (2013) World Bank (2013).

Despite this progress, the country is still facing many economic challenges. Regarding currency depreciation, recently, the Ghanaian cedi lost almost 18% of its value to the US dollar but became reasonably firm following successful government issuance of a \$1 billion Eurobond, together with a Cocobod short-term syndicated loan of \$1.8 billion in 2015 (World Bank, 2016). Inflation remained as high as 19% in February 2016 against 18% in 2015. Agriculture provides almost one-third of the country's income and employs more than half of the workforce (CEPA, 2013). Subsistence farmers also increase the country's economic vulnerability and constitute a significant percentage of the country's low-income population, as well as female-headed households, who have fewer opportunities to own asset properties. Although the majority of the population earn more than the \$2 per day, poverty is particularly acute and is increasing in the country's three northern savannah and central regions.

The country, therefore, has many opportunities that can be used to harness the emerging sources of resources that can propel and sustain growth both at the macro and micro-economic levels. However, a key challenge is how to foster and increase the levels of productivity and investment in non-oil sectors such as housing, where higher and sustained growth will entail generating and creating jobs beyond what the oil industry can create. Sustainable growth in such sectors will have a broader social and economic impact on reducing poverty and enhancing shared wealth creation and prosperity among the bottom economic level of the population.

Another opportunity is that the country is well placed to catch up with other nations such as Nigeria, India, and Vietnam, which once shared the same real capita per GDP point within the early 1980s, as shown in Figure 1.7 below. According to the World Bank, (2013), by 2011, all these countries' real per capita GDP had exceeded that of Ghana by 50%. In their estimation and based on the growth experience of other developed nations, they anticipated that, with adequate institutional reforms and sound macroeconomic management, a fast-tracked economic growth was possible after decades of inertia.

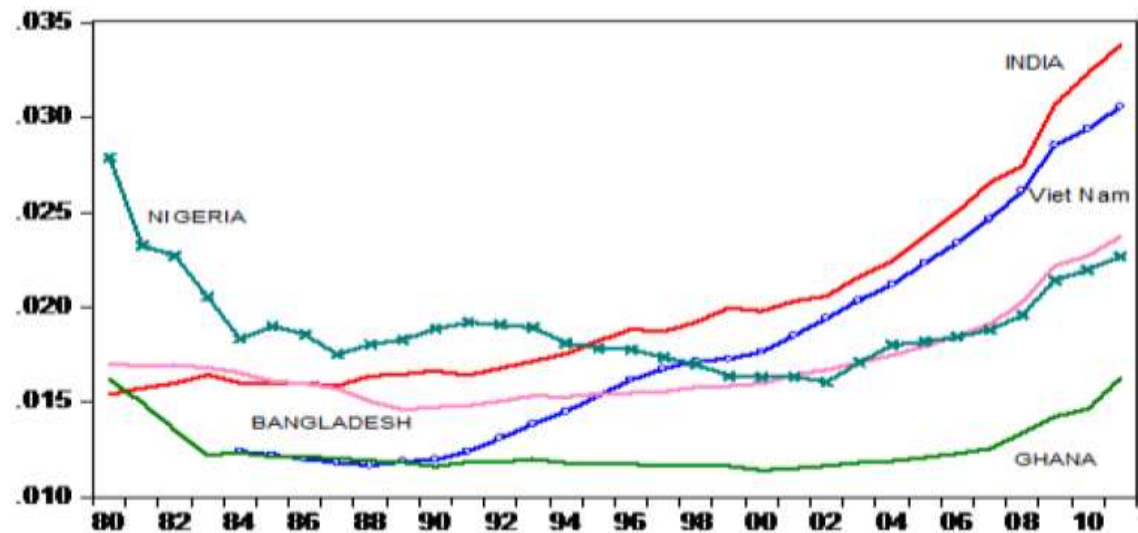


Figure 1. 7: The Real per Capita GDP of Ghana compared to selected Countries. Source: World Bank (2013).

1.8 Choice of the Study Area

The researcher chose Ghana as the study area because of its significant progress made economically and politically as a developing country with a mixture of commercial and residential activities. Moreover, the rate of urbanisation in Ghana is slightly above the

average mark of 53% (GSS, 2013). This means there is an urgent need for the provision of housing that meets low-income groups' ability and willingness to pay. The data collection took place in both Greater Accra and the Ashanti regions. This choice was influenced by the high rates of urbanisation and economic activity in these regions. Additionally, out of the 2,234 MFIs in the country, 383 are located in these regions. This represents about 17% of the MFI network in the country and placed them as better choices regarding obtaining useful and credible data for the study.

With regard to population growth, the populations of the Greater Accra and the Ashanti regions have increased to about eight and four times their levels in 1960 respectively accounting for over 16.3% and 19.4% of the total population in the country, respectively (GSS, 2013). The Ghana National Spatial Development Framework (GNSDF, 2015) also reported that these two regions were 90% and 60% urbanised and had the highest urban population shares of 29% and 23% respectively. However, there are differences in their rural population shares, which are 3% for the Greater Accra region and 15% for the Ashanti region. Overall, both the total population and urban population density for the Greater Accra region are almost six times those of the Ashanti regions, with the second highest rural population density in the country. Due to these population densities, high demand for housing has led to inadequate housing and lack of facilities, high rental charges and poor housing quality, particularly among the base level of the population segment in some parts of these regions. In a recent report, the Ghana National Spatial Development Framework, (2015), they reported that the country's urban settlement size and population growth within these regions are the highest among all the regions. The map of both urban settlement size and population growth is shown in Figure 1.8 below. Additionally, the researcher's affiliation with Kumasi Polytechnic in the Ashanti regions has brought legitimacy to the work during the data collection as the institution is a public research institution in the country.

Map: 1 urban settlement size class

Map: 2 urban settlement population growth

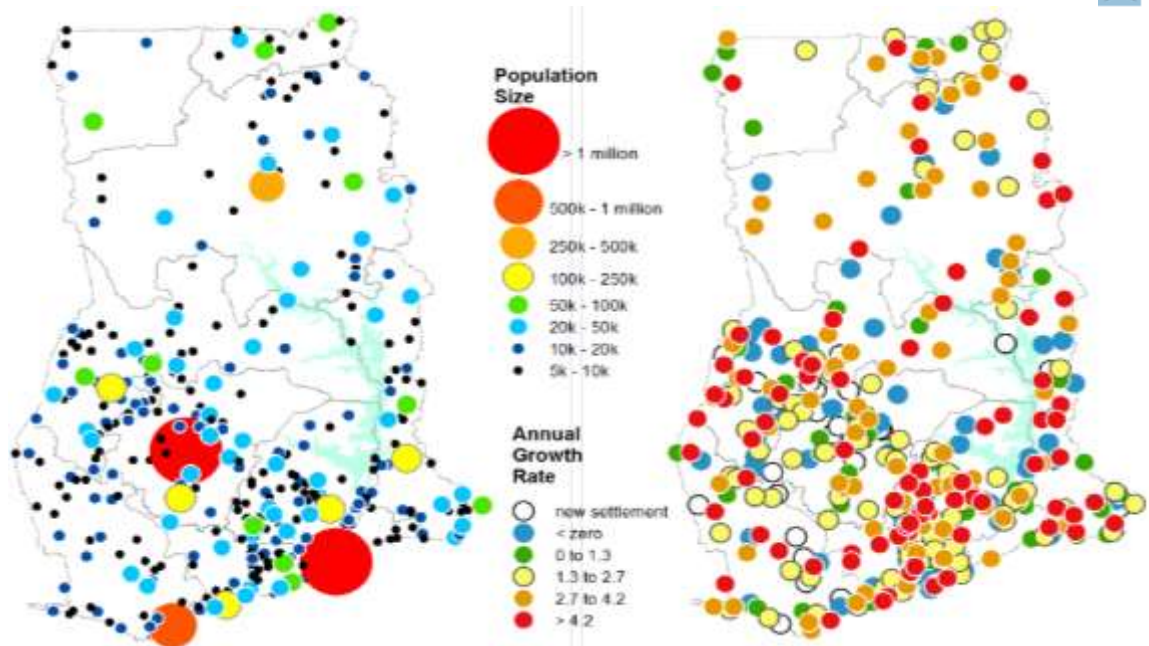


Figure 1. 8: Urban Settlement and Population Growth of Ghana. Source: GNSDF (2015).

1.9 The Significance and Justification of the Study

The scope of this study is limited to the supply and demand perspectives of HMF in meeting the housing needs of low-income groups in Ghana. Although the fieldwork was carried out in Ghana, the findings will not be limited to only Ghana as the practice and operations of HMF have similarities across Sub-Saharan Africa. Therefore, the study makes a significant contribution to the body of knowledge in the area of HMF and low-income housing market research in a developing country context. The study has demonstrated the usefulness and role of HMF and the motivations behind MFIs and low-income groups' intentions to supply and demand HMF in Ghana. It has also uncovered the barriers and risks associated with the provision and demand of HMF in a developing country context. Moreover, the study has re-contextualised the PPM model of human migration in a new context of Demotivating-Motivating-Mooring factors which will serve as a reference for researchers. They further provide Housing Microfinance Institutions with a list of prioritised factors for making rational decisions concerning the supply of HMF to low-income groups. Finally, the study produces some significant policy recommendations that could help improve the delivery of HMF as an innovative financing strategy in the country.

1.10 Organisation of the Thesis

The study comprises nine independent but interrelated chapters which are organised as follows: Chapter One contains the general introduction and background to the study problem, aim and objectives and presented the research questions and justified the need for the study. Chapter Two provides an overview of how rapid urbanisation and housing policy and practices have influenced low-income housing delivery in DCs. The role and influence of the international community in the design and implementation of low-income housing policy are discussed. The role of and approaches adopted by third sector organisations such as NGOs and MFIs in contributing towards the low-income housing market in DCs are also dealt with in this chapter.

Chapter Three explores the issues on HMF as an innovative financing strategy for low-income housing delivery in DCs. Subsequently, the theory and practice of HMF are conceptualised as an innovative financing strategy in meeting the housing needs of low-income groups in Ghana. The Chapter also discusses the role of culture in HMF delivery in Ghana. Chapter Four considers the relevant variables that will influence MFIs' decisions on whether to enter the housing market. Related studies on innovation, organisational behaviour, migration and the Push-Pull-Mooring framework model are reviewed and used to evaluate and explain the identified factors for MFIs' intention. The Chapter also discussed the three categories of Push (demotivators), Pull (motivators), and Mooring (moderators). These were then used to design the questionnaire.

In Chapter Five, the research methodology used is presented. It covers the various aspects of the research process, from the paradigm position to the justification of the choice of research methodology and strategies adopted. Finally, the data collection procedure, validity and reliability checks, research ethics, and generalisation of the study are also elucidated. Chapter Six presents the data analysis and results on the supply-side perspectives of Housing Microfinance Institutions' intention to remain in the housing market. The Chapter uses the results of the in-depth interviews with Housing Microfinance Institutions to answer four out of the six research questions. It further identifies the potential barriers, constraints and risks associated with the supply of HMF by Housing Microfinance Institutions to low-income groups.

Chapter Seven explores the demand side perspective of low-income groups' decision to use or not to use HMF to meet their housing needs. The FGD data is used to answer four out of the six research questions. The potential barriers, constraints and risks associated with the use of HMF by low-income groups are identified and discussed. In Chapter Eight, the Push-Pull-Mooring model of migration theory is used to advance the understanding of factors that influence MFIs' intention to enter the housing market in Ghana. Following the migration theory, the Chapter examines the three categories of motivation for MFIs' intention: Push, Pull and Mooring factors. Their varying degrees of effects on MFIs' intention are also analysed. The analysis helps answer the question why MFIs are not willing to enter the housing market, although certain factors have some influence on their intention to enter the market.

Chapter Nine presents the conclusions and recommendations drawn from both the literature review and fieldwork. The main contributions of the research to knowledge and areas for future research are identified. The chapter further outlines the policy implications and limitations of the study. The structure of the thesis regarding the content of the chapters is shown in Figure 1.9.

1.11 Chapter Summary

The chapter has described the study background and the problem statement in detail. Additionally, this chapter has explained how the main aim, objectives and research questions were developed, which aided the study to reach a logical conclusion. The chapter has also outlined the scope of the survey which was undertaken. The Chapter also justified the importance of undertaking this study.

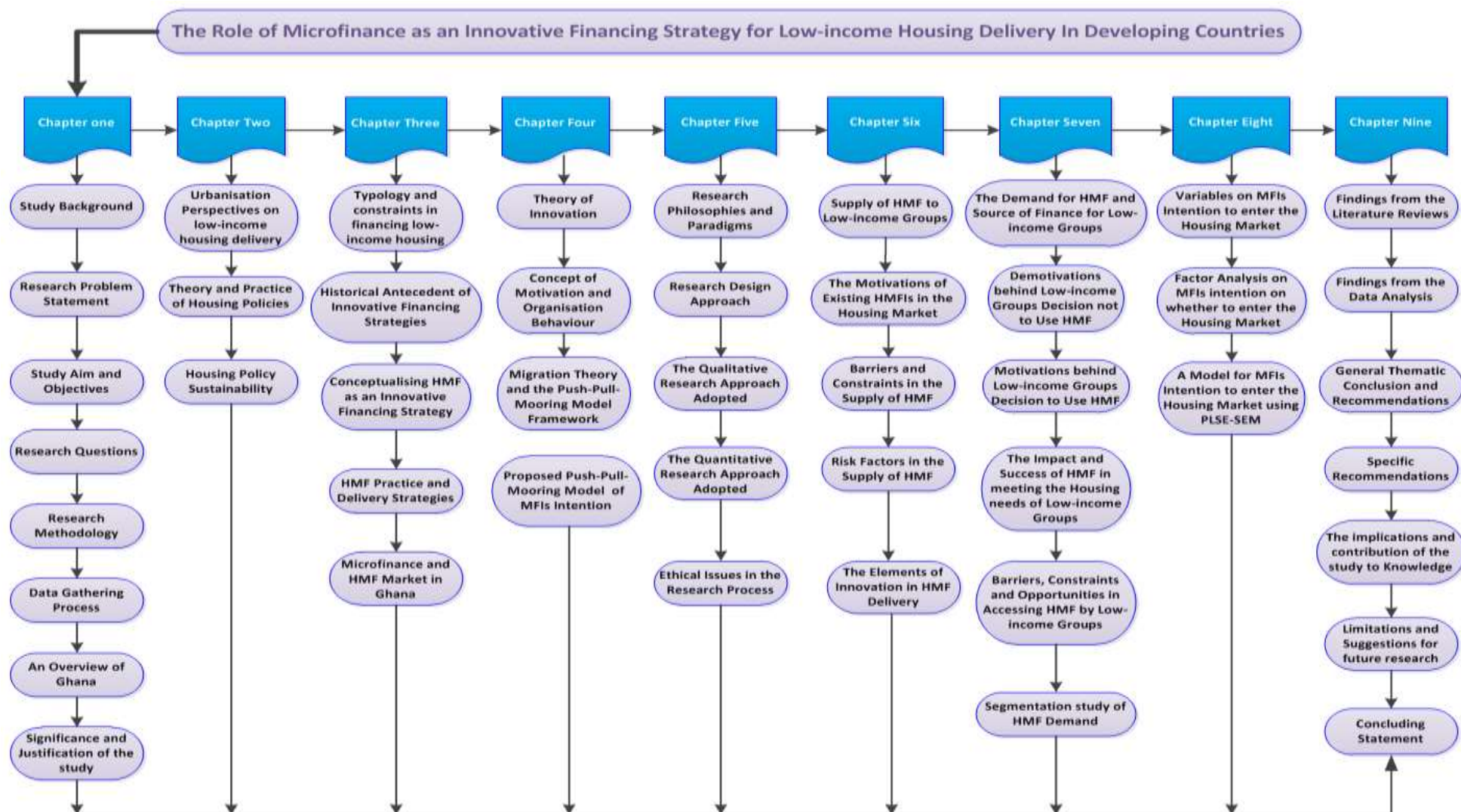


Figure 1. 9: The Framework of the Research Process. Source: Author's construct.

CHAPTER 2

THE INFLUENCE OF URBANISATION, HOUSING POLICY AND PRACTICE ON LOW-INCOME HOUSING DELIVERY

2.1 Introduction

In Chapter One, the background leading to the study problem statement was presented and discussed, in which rapid urbanisation, housing policies and practice, and lack of access to finance emerged as the contributing factors to the housing crises in DCs. This chapter is a follow-up, aimed at exploring further how rapid urbanisation and housing policy and practice have influenced the delivery of low-income housing in DCs. The chapter has five related sections. Section two presents an overview of the concept of urbanisation, the causes, effects and opportunities in the urbanisation process and their implications for low-income groups in meeting their housing needs. The third section discusses the theory and practice of international housing policies in the context of DCs. The above understanding translates into the description of housing policy practices in the framework of the international community, the state and its institutions, private sector actors and low-income groups. Housing policy sustainability is the focus of the fourth section, and the fifth section summarises the chapter.

2.2 Urbanization in Developing Countries: A Perspective on the Causes, Effects and Opportunities in Low-income Housing Delivery

Urbanisation involves the increasing absorption of the population into cities, and the change of land and other resource use to an urban pattern of society. It is an ongoing phenomenon that is global in nature, and more towns and mega-cities may grow even bigger. Urbanisation is, to some extent, influenced significantly by both push and pulls factors. Its consequences are the social influences of cohabitation for security and growth among urban poor. It is a social evolution from simplicity to complexity, regarding demography, socio-cultural diversities, lifestyle and the economy, among others (Aziz et al., 2012). In countries where rapid urbanisation occurs without the corresponding housing and infrastructure, this often results in a significant number of people living in poor and inadequate housing conditions. A summary of these push and pull factors influencing this global phenomenon is shown in Figure 2.1.

2.2.1 Factors that affect Urbanization

Rapid urbanisation is the primary driver of low-income groups' preference for where and how to live, especially in DCs. As argued earlier, the push factors affecting rapid urbanisation in DCs include rapid population growth, uncontrolled migration,

globalisation, decentralisation, democratisation, both natural and man-made disasters and lack of livelihood opportunities in most urban centres of DCs. The pull factors, on the other hand, involve globalisation, decentralisation, democratisation, innovation and lately, regionalism among regional groupings that create more opportunities for migrants all over the world. The subsequent subsections explain these factors in detail.

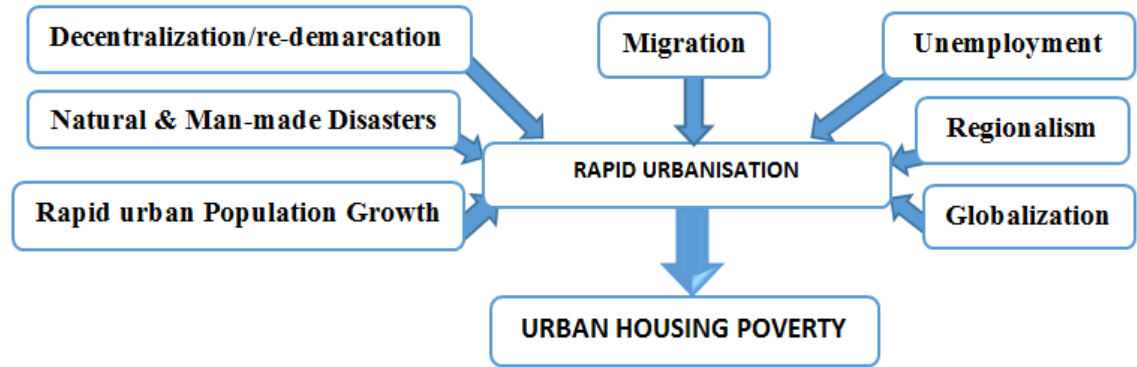


Figure 2. 1: Factors influencing Urbanization and its effect in DCs. Source: Authors' construct.

- **Rapid Population Growth**

Population growth in DCs has had both positive and negative impacts on their urban development. However, the measurement of the impacts of population growth is still a major subject of debate. The reality of uncontrolled population growth is an indisputable fact, yet its impact, significance and interpretation have been contested issues. Two prominent arguments are advanced for and against population growth.

One view, by Hussen (2000), is that high urban population growth will put pressure on DC's urban infrastructure, both on the natural and man-made resources and potentially destroy community cohesion and integration regarding income distribution. Moreover, the scramble for the few or unavailable resources will result in a rise in economic hardship, resulting in poverty. The second view is by Cohen (2004), who explains that urban population growth rather offers a great opportunity. He vehemently argues that it will result in economies of scale in the production of goods and services for large and emerging markets. Additionally, the increase in family size will cause people to work harder and therefore increase productivity.

Furthermore, Coccia (2014) also suggests that there could be social and technological innovations resulting from population growth. However, one question that remains unanswered is to what extent can DCs take advantage of this emerging paradigm? In

either case, population growth as a result of high fertility and uncontrolled birth rates will contribute significantly to the rate of urbanisation in DCs. Its effects, whether rapid or gradual in urbanised areas will create a huge demand for housing that cannot meet low-income groups' present and future needs.

- **Migration**

Another influential factor that drives the wheels of urbanisation in DCs, according to is rural-urban urban-urban migrations (Seto, 2011). Parnell and Walawege (2011), note that human migration within regions is diverse, quite intricate and continually changing from rural to urban, urban to rural, urban to urban, and rural to rural. In this regard, Zhu (2002) emphasises that income disparity is a major determinant of migration. Seto (2011) further suggests that household structures and survival strategies, and social sustainability issues are the key influential factors driving the rural-urban migration dynamics in DCs. The consequences of these patterns are that there will be an increase in unemployment levels, together with inadequate and poor housing conditions resulting from overcrowding among low-income groups in the affected countries.

- **Globalisation**

According to Anwar (2002), globalisation is the amalgamations and the interconnections of the world economies. Hartungi (2006) adds that it involves the reduction of transaction costs in the trans-border movement of the factors of production, such as labour, capital, goods and services. It is a process through which ideas, services and factors of production move across borders within or across nations, regions and cities (Wu, 2001). Moreover, globalisation has the potential to influence the inflow of foreign capital into urban real estate development in emerging markets, where the cost of land and labour is relatively cheap. The “synergistic” effect of such global and local actors or investors in the local housing sector will result in a transformation, and qualitatively change the prospects of urban housing development in those countries.

This synergy means that globalisation has the potential to influence the rate of urbanisation within those regions in which it takes place. Thus, once there is an exchange of economic goods and services, particularly in urban centres, the supply and demand for cheap local labour effect will set in, resulting in high demand for housing. In addition, globalisation as a process is not occurring equally in its rate and impact among countries, which results in an increase in income inequalities among the citizens,

particularly in DCs. Income inequality affects the type, quality and conditions of low-income groups' housing, due to affordability issues.

- **Decentralisation, Reclassification and Demarcation of boundaries**

Decentralisation, according to (Miller, 2002), is a participatory forum that ensures adequate scope for local self-management and releases the innovative spirit and leadership talents of the citizenry in a country. It involves the transfer of state duties or the role of central government to sub-national levels, or from central agencies or offices to regional bodies or branch offices, or to non-governmental organisations or private concerns (Fiva, 2006). The quest to participate in the governance structures attracts and necessitates the movement of some skilled rural citizens to city centres to manage these new departments and occupy the decentralised positions.

Reclassification and demarcation of rural settlements as towns, due to expansion, is another phenomenon that contributes to the growth of urbanisation in DCs. Such settlements are either demarcated or not at all, with few plans to address issues relating to land use, provision of amenities, and adequate and decent housing, among others (Pugh, 2001). In the opinion of Smith (2011), policy makers at both national and regional levels often ignore such new settlements, just because they simply cannot handle the scale of the likely demands on the available resources. This consequently affects the housing conditions of the citizens in such locations, both quantitatively and qualitatively.

- **Regionalism, Natural and Man-made Disasters**

Some countries have grouped themselves into regional blocks, according to cultural, economic, political, and geographical similarities or conflicts. This phenomenon, called regionalisation, has also influenced the rate of urbanisation in many continents. It has resulted in the general acceptance of free movement of goods, services and people across such regions. Regionalism is similar to globalisation. However, regionalism is a self-created mechanism, whose significant effect on housing can be more adverse than that of globalisation. The Economic Community of West African States is an example of such regional blocks. It aims at economically integrating the West African region, where nationals within member states now use a common passport. It enables them to move in and out of countries within that region. The demand for housing and other resources becomes very high because of such free movement of people. The next

section discusses the effect of urbanisation on low-income housing delivery process in DCs.

2.2.2 The Effect of Urbanisation on Low-income Housing Delivery

There are many side effects of rapid urbanisation and notable among them is the effect on the local urban economy. This effect is likely to translate into an effect on the housing conditions of low-income groups, which can lead to housing poverty. This is because. According to UN-Habitat (2008), DCs are likely to represent more than 50% of the world population within the next 50 years. UN-Habitat (2012) also estimates that the world cities are expected to absorb a projected urban population of 6.3 billion by 2050, while at the same time drawing in some of the rural population. This phenomenon is likely to occur in the cities of Africa, Asia and Latin America, where over 800 million urban dwellers are currently living in areas of overcrowding that lack the necessary amenities, with dilapidated structures called slums (UN-Habitat, 2016). Rapid urbanisation will, therefore, induce urban housing poverty, and thus produce environmental and social well-being challenges among low-income groups.

- **Urban Housing Poverty among Low-income Groups**

Housing poverty arises as a result of low-income groups' inability to meet their housing needs. Housing needs, according to Needleman (1965, cited in Ha, 2004, p. 140) are the *“extent to which the amount and quality of the existing accommodation fall short of what is required to provide each household or person within the national population, regardless of their ability to pay or individual preferences, with an accommodation of a specified minimum standard and above”*. Housing Poverty is the deprivation of adequate housing, which is a basic human need. In this context, housing poverty manifest itself in poor physical conditions and overcrowding, lack of suitable dwellings regarding tenure, type, size, location and the neighbourhood environment, as well as households' inability to obtain access to suitable housing (Ha, 2004; UN-Habitat, 2012). All the above are also factors that affect the housing needs and preferences of low-income groups in DCs. As Tibaijuka (2013) notes, there are a growing number of urban low-income groups who have limited access to decent and adequate housing and other services, particularly in most African countries, due to low incomes and badly-organised housing markets arising from rapid urbanisation. The inadequacy and the insufficient nature of low-income housing in those countries have produced squatters or informal settlements, slums and backyard shacks. This has contributed substantially to

the global number of slums, where almost one-third of the urban population and just over eight hundred million people in DCs live in slums (UN-Habitat, 2016). The countries most likely not to achieve the MDG target on eliminating slums are mainly those in Sub-Saharan Africa, which include Ghana. It is quite alarming to note that the current slum population in the developing world has increased from 863 to 881 million between 2012 and 2014 (UN-Habitat, 2012; UN-Habitat, 2016). The overall effect on housing is a clear presence of housing poverty among the low-income groups. The rates of increase of urban and slum populations in DCs are shown in Figure 2.2 and Table 2.1 below.

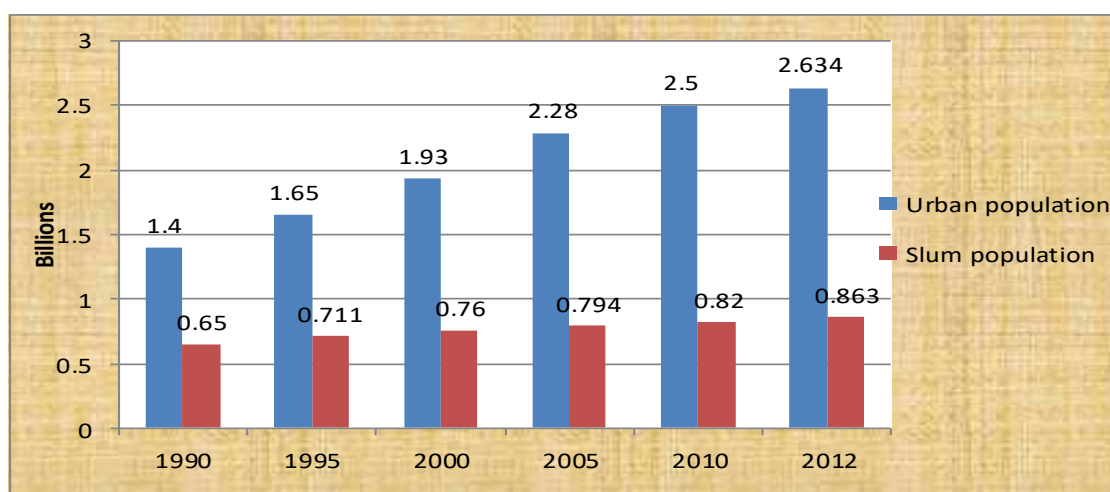


Figure 2. 2: Urbanisation and Slum populations in Africa. Source: UN-Habitat (2012)

Table 2. 1: Urban populations living in slums from 1990-2014

Major region or area	Proportion of Urban Population Living in Slum (%)						Urban Slum Population at Mid-year by Regions ('000)'					
	1990	1995	2000	2005	2010	2014	1990	1995	2000	2005	2010	2014
Developing regions	46.2	42.9	39.4	35.6	32.6	29.7	689,044	748,758	791,679	830,022	871,939	881,080
Northern Africa	34.4	28.3	20.3	13.4	13.3	11.9	22,045	20,993	16,892	12,534	14,058	11,418
Sub-Saharan Africa	70.0	67.6	65.0	63.0	61.7	55.9	93,203	110,559	128,435	152,223	183,199	200,677
Latin America and the Caribbean	33.7	31.5	29.2	25.5	23.5	21.1	106,054	112,470	116,941	112,149	112,742	104,847
Eastern Asia	43.7	40.6	37.4	33.0	28.2	26.2	204,539	224,312	238,366	249,884	249,591	251,593
Southern Asia	57.2	51.6	45.8	40.0	35.0	31.3	180,960	189,931	193,893	195,828	195,749	190,876
South-Eastern Asia	49.5	44.8	39.6	34.2	31.0	28.4	69,567	75,559	79,727	80,254	84,063	83,528
Western Asia	22.5	21.6	20.6	25.9	24.6	24.9	12,294	14,508	16,957	26,636	31,974	37,550
Oceania ^a	24.1	24.1	24.1	24.1	24.1	24.1	382	427	468	515	563	591
Major region or area	Proportion of Urban Population Living in Slum (%)						Urban Slum Population at Mid-year by Major Area, Regions ('000)'					
	1990	1995	2000	2005	2010	2014	1990	1995	2000	2005	2010	2014
Developing regions	34.8	37.4	39.9	43.0	46.1	48.4	1,489,941	1,744,964	2,010,932	2,330,044	2,673,959	2,968,517
Northern Africa	45.7	47.3	48.4	49.4	50.5	51.4	63,952	73,732	81,901	90,706	100,776	96,336
Sub-Saharan Africa	27.1	29.1	30.8	33.0	35.4	37.4	132,971	163,172	196,869	240,036	294,164	359,009
Latin America and the Caribbean	70.5	73.0	75.3	76.9	78.4	79.5	313,876	355,089	396,276	432,804	467,642	495,857
Eastern Asia	33.9	37.7	42.0	48.3	54.3	58.9	467,014	550,368	632,396	747,566	865,826	960,235
Southern Asia	26.5	27.8	29.1	30.8	32.7	34.4	316,082	366,335	420,685	483,648	550,607	609,139
South-Eastern Asia	31.6	34.5	38.1	41.3	44.5	47.0	140,164	168,068	199,681	231,789	265,801	294,409
Western Asia	61.1	62.4	63.8	65.9	68.1	69.6	54,302	66,445	81,203	101,399	126,864	151,084
Oceania ^a	24.4	24.2	23.7	23.4	23.1	23.0	1,579	1,755	1,921	2,096	2,290	2,448

Source: UN-Habitat (2016).

According to Kamete (2000), the increase in the size and population of slums is due to lack of effective, low-income housing policies to regulate and regularised such markets. The evidence of such policy neglect often manifests itself in the nature and condition of

housing, as illustrated in Figure 2.3 below. The net effect is a general lack of security of land tenure and occupancy rights; poor, low-income groups are unable to access finance to improve and meet their housing needs, among others. This is also because many are living under the poverty line, which denies them adequate and decent shelter (UN-Habitat, 2016). Appropriate and adequate housing by the United Nations Centre for Human Settlements (UNCHS) standard will mean housing that ensures adequate privacy, space, security, lighting, ventilation, basic infrastructure, location as to work and basic facilities, all at a reasonable cost (UN-Habitat, 2012).



Figure 2. 3: Rapid Urbanization and its effect on Urban Housing Conditions in DCs. Source: World Bank (2015).

The cumulative effect of the housing conditions of low-income groups, as shown in Figure 2.3, depicts a situation of living in housing poverty. Whereas rapid urbanisation is influencing the quantity and quality of low-income groups' housing conditions, these conditions are also serving as indicators, factors and causes of the general poverty situation among them. The housing conditions of low-income groups are indicators of their poverty levels because only the urban poor would live in places under such conditions (Buckley et al., 2016). Although some of them may not be very poor, it is only in exceptional cases, probably due to cultural reasons, that someone out of that bracket would prefer to stay in such conditions. The housing conditions of low-income groups become a factor of their poverty, because of overcrowding and noise, among other factors, which also substantially affect their health and the quality of their lives (Berner, 2002). These factors in turn cause poverty, as many cannot afford medical care.

There is usually a lack of adequate infrastructure, which is another dimension of the constraints on the ability of potential entrepreneurs in low-income groups to excel in

environments such as those described above. Table 2.2 presents the nature and dimensions of the relationship between housing and poverty due to urbanisation in DCs, with reference to Figure 2.3.

Table 2. 2: A Typology of Urban Housing Poverty in DCs

Dimensions of housing poverty	Causes of housing poverty	Indicators of housing poverty
Housing as a factor of low-income groups poverty	Lack of quality infrastructure and services	<ul style="list-style-type: none"> • Overcrowding, noise, pollution, and inadequate facilities affect low-income groups' quality of lives. • Lack of good sanitation and safe water affect their health. • Lack of education also affects low-income groups' future prospects.
	Tenure insecurity	<ul style="list-style-type: none"> • Inaccessible income sources lead to low-income groups' vulnerability
Housing as an indicator of low-income groups poverty	Lack of quality infrastructure and services	<ul style="list-style-type: none"> • It is only the poor low-income groups who are likely to accept the above housing conditions.
	Tenure insecurity	<ul style="list-style-type: none"> • However, not all residents in informal settlements are poor
Housing as the cause of low-income groups poverty	Lack of quality infrastructure and services	<ul style="list-style-type: none"> • Lack of housing infrastructure is a liability for potential enterprises and entrepreneurs • Bad reputation of low-income groups' housing condition can put off potential customers from their businesses
	Tenure insecurity	<ul style="list-style-type: none"> • Risk of demolition demotivate low-income groups' investment in immovable assets drive in such areas

Sources: Berner (2002).

- **Urban Environmental Challenges and Social Well-being of Low-income Groups**

Slum dwellers in the major cities often end up destroying the urban green belts and farmlands to make way for footpaths and their unplanned houses. This act even happened to waterways and the structures put up sometimes pose a threat to human health, due to the building materials employed. Smoke and air pollution replace clean air because more and more people are crowded into an area where their primary source of fuel may be charcoal, while others use car tyres (OECD, 2013). Noise pollution replaces peace and quiet and serves as a threat to many species of wildlife. Wildlife loses its habitat because it competes with urban dwellers and their pets for space (Knight and Swaddle, 2011).

Moreover, Gubler (2011) suggests that the presence of crowded human communities together with large mosquito populations creates ideal conditions for transmission of diseases such as dengue among the dwellers in these settlements. Urban and housing policies, therefore, have a critical role to play in responding to these adverse effects of urban clusters and have to address both environmental and economic growth priorities in DCs (OECD, 2013).

2.2.3 Opportunities in Urbanisation and Low-income Housing Delivery

Despite the above challenges rapid urbanisation poses in DCs, it also has the potential for creating goods and services and enabling access to more educational and medical services for low-income groups. Urbanisation can also enhance social integration, as many people of different religions, ethnic backgrounds, social class and races reside in the same community. Hartungi (2006) suggests that urbanisation will encourage access to emerging global markets, and speed up technology transfer from developed countries to DCs and also from cities to rural centres. Although these benefits may not necessarily guarantee free trade, local firms may have access to an extensive international market. An increase in trade, as argued by Lee and Vivarelli (2006), will hold out the prospect for improvement in productivity and increased efficiency and therefore foster economic growth and alleviation of poverty in DCs.

A growth in population densities and the dynamics of the economy of scale can serve as a conduit to attract and motivate entrepreneurs, bring in investment, facilitate business and provide a market for goods and services. For instance, Aryeetey (2008) suggests that the proliferation of many financial institutions such as MFIs in the cities of countries such as Ghana and Nigeria is because of their urban growth that creates employment for many low-income groups. Urbanisation with its accompanying higher population densities and highly motivated migrants will accelerate the process of transitioning developing country's economies. Meng (2012) notes that urbanisation will transfer surplus rural labour to urban areas, and provide a supply for labour-intensive industries for future economic growth. Stephens (2010) suggests that economic growth in the case of China has helped many millions of rural farmers out of poverty.

However, Chen et al. (2013) disagree with both Meng (2012) and Stephens (2010), on the basis that such initiatives have disadvantaged both rural farmers and those migrants to the cities who were not entitled to any form of benefits such as health insurance. Notwithstanding these pessimistic views, the optimists' opinion on the opportunities is that a well-planned urbanisation programme will offer DCs the chance to attract private finance into their housing markets through innovative and creative institutions such as MFIs.

Urban-rural migrations may also result in the deployment of new skills and technology, especially communication technology, to rural communities (Lall et al., 2006). For instance, access to information and communication technology, which is growing at a

faster rate in most DCs, could influence disease prevention and promote health care. These developments will also facilitate and spread government economic and development policies to rural dwellers, over time. In conclusion, it is evident that rapid urbanisation is a factor of the poor housing conditions experienced by low-income groups in most DCs. These conditions are also a factor in, and the cause of urban poverty among low-income groups, as well as being an indicator (Berner, 2002; Buckley et al., 2016). However, a carefully planned urbanisation programme in DCs would attract private finance, through MFIs, into some sectors of their economies. In the next section, the contribution of housing policies in the context of the international and donor agencies in solving the urban housing problem are highlighted.

2.3 The Theory and Practice of Housing Policies in Developing Countries

This section discusses the theory and practice of housing policies in DCs. Adopting the view of Ward (2012), it is argued that most DCs gained independence at different periods under different colonial regimes and political economies. It will, therefore, be difficult to categorise urban housing policies under individual countries. This section classifies the various stages of housing policy designs and implementation since 1950 to the present in a broader context by considering the different international actors at specific periods.

Housing policy involves a set of activities that are concerned with the provision of shelter and its related infrastructures such as water, electricity, sewage and drainage. These activities include planning, construction, financing, ownership, management, regulations, demolition, and governance (Werna, 2001; Buckley and Kalarickal, 2006). Angel (2000) suggests that the best way to understand housing policy is to describe the housing policy environment to include the set of government interventions that have a critical and measurable effect on the performance of the entire housing sector. Housing policy in this context is a set of established means, mechanisms or strategies put in place to respond to the recurring challenges in the area of housing of a given region or country.

The literature indicates that policies in DCs regarding the provision of urban housing began somewhere in the 1950's when DCs within Latin America, Asia and Africa started experiencing rapid urbanisation (Ward, 2012). Until then, according to Pugh (2001), housing provision was left to the monopoly of private individuals and self-

developers whose activities were usually unregulated. The reason for this phenomenon is that most of the DCs were under colonial rule and could not initiate broader or national policies towards housing their citizens. Additionally, the number of technocrats available to undertake long-term sustainable urban planning and housing policies was small at the time. This contributed to the nature of development in housing policies that has been very slow and continually evolved from one government to another since the attainment of independence by most of these countries (Pugh, 2001).

2.3.1 The Demolitionist Housing Policy Perspective of the 1950s to 1960s

This section discusses the genesis of the DCs housing policy debate between 1950 and 1960s. Pugh (2001) suggests that the rise in the rate of urbanisation in DCs dates back to the post-World War II era. This was when more rural migrants moved towards the cities where industries were being set up after the war. This scenario created many developmental challenges, which included the provision of housing for the migrants who had occupied many of such city centres. Some states, in realising the problem of lack of housing, then assumed the responsibility for the provision of housing for a few of their working population (Buckley and Kalarickal, 2005). For instance, Pugh (2001) cites examples such as the ICT in Columbia, INVI in Mexico and BNH in Brazil, where some of the programmes implemented mandates for the provision of decent housing for workers on behalf of the states. However, Ward (2012) claims that governments and their agencies underestimated the magnitude of the housing needs of these workers, as they could not meet their demand let alone address the needs of other consumers of urban housing, such as those at the lowest socioeconomic level of the population.

The inability of the state to meet these demands resulted in a spontaneous development of informal structures, which culminated in the growth of slums during that period. Policy makers' reaction to the presence of such slums was that it destroys the beauty and healthiness of the cities. The immediate response was to demolish the housing stock of the urban poor to get rid of slums. Some countries that embraced and implemented such a policy included Nigeria, in the Lagos slum clearance scheme of 1955 to 1966, Kenya with the renewal of the old Bondeni area of Nakuru in 1955 to 1956, the Senegal Medina urban renewal project and many more (Buckley and Kalarickal, 2005). Ndubueze (2009) recounts that many challenges were encountered including the state incurring much cost by way of compensation to affected owners of properties, in addition to the cost of reconstruction. In Pugh's (2001) view, the policy left low-income

groups within the slums socially displaced and disorganised. Ward (2012) also adds that these disadvantaged low-income groups could also not afford much of the public housing that replaced slum dwellings. Another characteristic of this approach, according to Quigley et al. (2000), was the introduction of controls on land and housing prices, standardisation of land and physical structures, large-scale development restrictions and the reinforcement of population decentralisation. However, Tipple (2005) and others also disagree with such controls, on the ground that the setting of minimum standards for land and the physical structure of housing to eliminate sub-standard structures raises the price of regular housing units in some urban centres. Thus, it means that the approach never alleviates the housing problem of the poor.

2.3.2 The Neoliberal and International Organization's Policy Perspective of 1960 to 1970

During this period the major international organisations that influenced urban housing policies regarding their design and implementation in DCs were the World Bank, the United Nations and the International Monetary Fund. For instance, Pugh (2001) explains that, while the World Bank implemented a cost-recovery principle, on the premise that investment in low-income housing could accelerate economic development, the IMF adopted a strategy involving the provision of technical assistance and financing packages to ensure DCs achieved macroeconomic stability and reduced poverty. Three housing policy regimes occurred during that period. The next subsection discusses these regimes in detail.

- **The Site-and-Services Approach**

Site-and-Services approach involved the provision of service plots of land for either lease or ownership tenure and was implemented during the period under consideration. There is also usually some minimal provision of infrastructure to enable human habitation (Pugh 2001). According to Mayo and Gross (1987), the major advocates who promoted the idea for Site-and-Services were Turner and Fichter (1972) and Mangin (1970). The Site-and-Services approach, according to Turner and Fichter (1972) is in agreement with and fits into the natural building process of shelter acquisition and development of the urban poor. They argue on the premise that the state should capitalise on the untapped resources of the urban poor, through their incremental housing development process, through the provision of sites and serviced land schemes. The purpose for Site-and-Services was to bring down the *“cost of shelter and*

infrastructure from the high and unaffordable levels often prescribed by most governments” Mayo and Gross (1987, p. 303). Their arguments still hold in contemporary urban poor housing development efforts, as the cost of housing infrastructure is usually so high that many are unable to build without government support. Tshikotshi (2010) concedes that Site-and-Services have the ability to enable the government to share its limited resources responsibly, through housing, with the intended beneficiaries. In Choguill’s (2007) estimation, the programme made the best use of existing or potential resources, both at governmental, municipal, district, community and household levels.

Despite the advantages of the policy, (Pugh, 2001) notes that lack of coordination among service providers, even when plots of land were allocated to beneficiaries, resulted in delays in the provision of services. Standardisation requirements of construction and building quality set by government implementing departments or agencies made such schemes unaffordable to the targeted beneficiaries. For instance, Keivani and Werna (2001) think that the prohibition of income generating activities on residential plots, including rental of rooms, limits the opportunities for residents to earn extra income to pay for their plot and their buildings. Such a limitation is one of the stringent requirements, which impeded the success of Sites-and-Services programmes in that era. Linn (1979) identified some African countries which had adopted and implemented the Sites-and-Services approach, as shown in Table 2.3 below. The present study lends support to suggestions (Keivani and Werna, 2001; Pugh, 2001) that the market opportunity for Sites-and-Services housing programme is still bright since its target group constitutes the largest urban population who are still in need of low-income housing in DCs. It is the hope of this thesis that, with some modifications, Site-and-Services could work well in most DCs, including Ghana.

Table 2. 3: Sites-and-Services and Upgrading Schemes in African Countries

Country	Date	Total Nr. of Plots	Percentage of plots		Percentage plots with	
			In sites-and-services	In slum or upgrading	Communal water and non-water borne sewage	Individual water and water borne sewage
Senegal	9/72	15,600	100	-	87	13
Botswana I	4/74	2,800	64	36	100	-
Tanzania I	7/74	19,400	92	8	92	8
Zambia	7/74	28,851	41	59	89	11
Kenya I	5/75	6,000	100	-	-	100
Ivory Coast	11/76	8,835	43	57	-	100
Tanzania II	7/77	34,788	59	41	100	-
Burkina Faso	1/78	11,306	11	89	100	-
Morocco	2/78	9,330	10	90	34	66
Kenya II	4/78	23,147	76	24	11	89
Botswana II	5/78	6,734	41	59	96	4
Egypt	6/78	9,823	47	53	49	51
Zambia	12/82	47,747	-	-	-	-

Source: Linn (1979)

- **The Self - Help or Supportive Policy Approach**

The Self-help policy approach involves households mobilising their local resources to improve the quality of their lives through housing. It encompasses three concepts, namely, unaided, aided, and aided mutual self-help housing. Unaided self-help housing involves households working individually to meet their housing needs, without any external support (Ntema, 2011). Pugh (2001) describes aided self-help as the situation where a group of households, help each other, with little external support with finance, technical assistance and materials. In the case of aided mutual self-help, asserts that it involves an individual or group of households, helping each other to meet their housing needs with external support from private agencies or government (Harris, 2003).

As mentioned under the Site-and-Services policy, the literature again credits Turner as the brain behind the theory of Self-help, as he was very critical of the demolitionist policy regime (Harris, 2003). Accordingly, Turner suggested some concepts that have revolutionised the landscape of low-income housing development (Pugh, 2001; Harris, 2003). According to Harris (2003), Turner advocated that a sound and deliverable low-income housing programme is the one that is capable of enabling or offering the user or occupier some level of control. Thus, low-income groups are motivated when allowed to make an input in the form of decision making concerning their dwelling environment. The involvement of self-help housing beneficiaries in the design and construction process ensures that the housing designed and constructed corresponds with the type and qualities that merit their economic capacity, social situation and cultural habits (Turner and Fichter, 1972; Harris, 2003). Ntema (2011) also shares this opinion and notes that the creation of such an environment will eliminate the usual bureaucratic, top-

down approach often used by governments in delivering low-income housing in DCs. However, Pugh (2001) points out that Self-help housing schemes have equally encountered some setbacks, due to lack of the state and institutional and structural support needed to make them successful. Nevertheless, the concept, particularly the unaided self-help is still in practice to a large extent, among low-income groups in some Sub-Saharan countries, including Ghana. What is required is a reconceptualization of the idea regarding welfare and investment, as suggested by Buckley et al. (2016), which can help scale it up.

- **The Settlement Upgrading Approach**

Settlement upgrading involves the transformation of illegal buildings or structures into legal ones, with the aim of improving their quality. To achieve such outcomes, Mukhija (2002) suggests that there is the need to address issues concerning property rights and value, physical attributes of these structures and their impact on the environment. These requirements made this policy prescription very expensive to implement.

2.3.3 The Structuralist and Marxist Policy Perspective of 1970 to 1980

This approach took a structural perspective to urban housing delivery. Promoters argued that the neoliberal policy approach placed much stress on socialist rationality to the detriment of the connection between the various modes of housing production (Bromley, 2003; Buckley and Kalarickal, 2005). Critics of the neoliberal policy approach such as Burgess (1978) argue that a political and structural transformation is usually required to enable urban communities to have the right to organise and self-build their communities. Furthermore, Marxists claim that Structuralist policy can promote the participation of citizens in community projects and strengthen market mechanisms that can remove any challenges in urban housing delivery (Huchzermeyer, 2004). However, some critics are also of the view that, the policy focuses more on the market outcomes to the neglect of issues such as housing infrastructure and finance outcomes (Buckley and Simet, 2015). This study is also of the view that the demand for low-income housing in DCs necessitates the full participation of the market, rather than over-reliance on the state and the international community. The market can participate fully in flexible and innovative mechanisms and channel them through community and local market-based financial products and institutions such as HMF and MFIs.

2.3.4 The Enabling Global Shelter Policy Perspective of 1990 to 2000

At this point, the integration of both top-down and bottom-up approaches to housing development became more necessary than ever before. The enabling approach is a strategy in which the state prescribes legislative support to mobilise all relevant resources of the private sector, NGOs, community-based organisations and households towards low-income housing delivery. This policy approach advocates that the state should rather contribute towards the formulation of policies and show commitment to institutional reforms that will yield wider and holistic urban housing development programmes (Pugh, 2001).

The global shelter strategy, therefore, is an initiative set up to harness the capabilities of communities towards good governance and state support and which focuses on the well-being of low-income communities, by using housing as a means of social mobility (UN-Habitat, 2001). The difference between the enabling and previous approaches is that this approach seeks to merge the community with government interactions and support to obtain practical housing solutions through community initiatives. This strategy has enhanced decentralisation and the utilisation of diverse modalities of partnerships in the sector. It has therefore enabled the housing development process, with local authorities assuming more fulfilling roles in urban housing governance.

2.3.5 The Collaborative and Whole Sector Development Policy Perspective of 2000

The need to reach the Millennium Development Goals, particularly Goals seven and eight, binds the state to commit itself to addressing issues such as urban poverty and setting policies that are in alignment with the whole sector and market development. Thus, the whole sector enablement strategy is a shift of government interventions from direct to indirect involvement, leaving the actual housing provision to non-public sector actors and low-income group consumers in the market (Pugh, 2001; Sarfoh, 2010). Additionally, the emergence and practice of democracy in most DCs have echoed the need for the contribution and legitimization of civil society groups as the third sector on urban development issues. The third sector actors' activities and roles are becoming legitimate as an effective motivation to accelerate the development and empowerment of the urban poor within the informal sectors. The third sector is a sector dominated by NGOs, MFIs, community-based organisations, faith-based organisations, and rights-based organisations, among others. These are non-public sector actors who work as either social or commercial entity. They are the third sector because of their

involvement in urban poverty issues that were previously solely addressed by the interactions between the state and its international development partners, especially in low-income housing development. This new development is a paradigm shift, which recognises and endorses the role of these actors, who are largely from the private social or commercial sectors in DCs. Figure 2.4 shows the collaborations between the whole sector actors, within which a market-led, participatory, enabling approach has emerged. The roles of NGOs and MFIs are therefore very crucial at this moment to complement the state effort to scale up low-income housing delivery. However, there is a need to explore the potential factors that will encourage or discourage the third sector into or out of the low-income housing market in DCs.



Figure 2. 4: A Whole Sector-Markets led Participatory Approach. Source: Adopted and adapted from Pugh, (2001) and Sarfoh, (2010).

2.3.6 The Third Sector Organizations Approach to Low-income Housing Delivery

As stated earlier, the whole sector enabling approach of urban housing delivery emphasises the role of the third sector organisations. In Pugh's (2001) view, these organisations, by their nature, serve as the link between low-income group communities and the states. The shift towards a market-led participatory approach also gave credence to a move from a top-down to a bottom-up approach in urban low-income housing development. This bottom-up approach placed most NGOs and MFIs at an advantage point to enter the low-income housing market because the two sectors' activities share some similarities, characteristics and principles in their mode of operation.

This study places more emphasis on the role and contributions of MFIs as the units of discussion among the many organisations that fall within the third sector organisations. MFIs play a vital role in DCs, due to their ability and capacity to mobilise individuals

and families from the low-income group into groups and enable communities to use local initiatives towards meeting their housing needs (Arrossi et al., 2014). MFIs, in the context of this study, are privately sponsored institutions that are involved in programmes that promote the interest of the poor. Fraser (2013) describes them as institutions that often operate under the principle of either altruism or voluntarism and are values-based, free from governmental controls.

- **The Microfinance Institutions Approach to Low-income Housing Delivery**

It may be not only inappropriate but also difficult to generalise the approaches adopted by MFIs in the provision of low-income housing in DCs, particularly in Ghana. This is because of their nature, context and structure usually differ in so many ways. For instance, Arrossi et al. (2014), suggest that issues such as their political affiliations, the neighbourhood in which they operate, and their philosophical orientations sometimes influence the way they operate. These beliefs and values often influence the paradigm that they adopt, which helps in distinguishing and labelling them as either profit or non-profit seeking organisation (Fraser, 2013). Morduch (2000) and others refer to them as either institutionally-orientated or welfarist, capitalist or socialist, providers or facilitator organisations, among others.

There is a scarcity of extant literature on the approaches these institutions have adopted, particularly in the case of Ghana. There is also little evidence about the types of programmes embarked on by these institutions and the how and why of such programmes failures and successes. Notwithstanding the lack of literature in the context of Ghana, the MFI approaches adopted in such jurisdictions in addressing the low-cost housing challenge of low-income groups will obviously be based on international standards and best practice. These best practices often follow two paradigms, with housing being delivered as either a product (Provider paradigm) or as a process (Supporter paradigm). The first paradigm involves MFIs with profit-seeking motives, which are capitalist, and have an institutionally-based mindset of providing finance to the urban poor to meet their housing needs. On the other hand, with the supporter paradigm, MFIs adopt a non-profit-seeking, NGO approach, with a socialist and welfarist ideology in helping the urban poor to access affordable low-income housing finance to meet their housing needs. In Chapter Three, these paradigm approaches are discussed in detail under HMF delivery strategies. The next section explains the issue of sustainability in housing policy design and implementation in DCs.

2.4 Housing Policy Sustainability in Developing Countries

There is a growing interest in the concept of sustainability in research and policy framework development. In the view of Rees (2002), this is in response to the sharp decrease in resource use and degrading of the environment in recent times. According to Choguill (2007), this concept has succeeded in generating benchmarks by which efforts towards the understanding of its objectives are judged worldwide, and has become a unifying and purposeful focus for the 21st century. The definition of the concept of sustainability upholds the position that the basic needs of humanity, most especially the priority given to the poor, are addressed in a socially acceptable and technically feasible manner (Brundtland, 2014). Consistent with the above, Choguill (2007) defines sustainable housing policy as one that meets the housing needs of the poor in a socially acceptable, technically feasible, economically viable and environmentally compatible manner. However, Abdullahi et al. (2011), express some doubts about the achievements claimed by Choguill (2007). Their argument is that, in DCs, there is a total separation between the rich and the poor in housing policies and their outcomes. It is, therefore, not likely to achieve the desirable results that the concept of sustainability seeks in housing policy design and implementation. The recent developments on the housing policy front regarding the interest of the third sector organisations, as discussed earlier, and the housing conditions shown in Figure 2.3 of this chapter attest to the truth of the claim by Abdullahi et al. (2011). Moreover, such new developments have rather heightened the need for sustainable housing policies to address the lingering housing needs in most urban communities in DCs, for which attainment is not feasible. More important is the complexity of the organisational structures of some of these third sector organisations. The differences in their organisational structure may not make them sufficiently sustainable and responsible for the urban poor.

The above interest has also increased research on the subject of sustainable housing policy and a measure of its understanding and consciousness among the research community. A case in point is the work of Myllylä and Kuvaja (2005) who suggest that political will, good governance and socioeconomic equity are the preconditions for housing policy sustainability. What this means is that the fulfilment of these preconditions is capable of generating an efficient and flexible resource allocation during housing policy design and implementation (Abdullahi et al., 2011). In contrast, the issues of political will, good governance and socioeconomic equity in DCs have presented a major challenge in recent times. As much as creative institutions from the

private sector should be encouraged to be part of the whole sector movement, the need to look at housing policy sustainability is critical. In assessing and ensuring that housing policies are sustainable, two fundamental questions must be addressed. The first is: do urban housing policies and institutional frameworks in DCs address the needs of the poor? Thus, housing policies must prioritise the poor as the central theme of the policy regarding access and affordability. The second aspect is whether the socioeconomic structures of the country enhance and are supportive of the poor. It will also require the privatisation and liberalisation of the supply of housing finance and access to secure land tenure, among other requirements, which should not exclude the poor from participation.

2.5 Chapter Summary

This review concludes that the consequences of rapid urbanisation due to population growth and urban expansion in DCs often put pressure on governments and low-income groups. The consequences of these perspectives usually result in a type of urbanisation that is different in quantitative and qualitative terms and requires a different policy response. The government, in particular, is often confronted with the challenge to provide employment and adequate and decent shelter with essential services to the large groups at the lowest socio-economic level of the population. It emerged that, whereas rapid urbanisation influences low-income housing delivery both quantitatively and qualitatively, housing policy and practice only influence it quantitatively. However, urbanisation and the current whole sector housing policy prescription have also created opportunities for third sector institutions such as MFIs to participate in the housing market with innovative financing mechanisms such as HMF. Housing policy designs must, therefore, take into consideration the role and importance of these innovative financing mechanisms to make housing policies more sustainable and expand the housing market in DCs. However, the factors that will attract and motivate the third sector organisations into the housing market are less known. Therefore, in Chapter Three, the products and services offered by MFIs to the housing market are assessed and those that best fit the low-income groups' incremental building process are noted.

CHAPTER 3

EXPLORING INNOVATIVE FINANCING STRATEGIES FOR LOW-INCOME HOUSING DELIVERY

3.1 Introduction

It emerged from Chapter Two that the occurrence of rapid urbanisation in DCs has outpaced the usefulness of some DCs' housing policies. This has resulted in housing poverty among the low-income group segment in such countries. The review further points to the need to explore various innovative financial models and strategies that best fit the incremental building process of low-income groups. This chapter, therefore, seeks to explore the role of microfinance as an innovative financing strategy that best fits the financing strategy of the low-income groups' incremental building process in Ghana. The chapter is in seven related sections. In section two, the types of housing and financing constraints that low-income groups often face in meeting their housing needs are discussed. Section three introduces the subject of innovative finance, its relevance, and the various sources. Section four conceptualises HMF as an innovative financing strategy and a best-fit strategy for low-income groups' incremental building process. In section five, HMF practice and the delivery strategies often adopted by MFIs, regardless of their structure and nature are presented. Section six introduces and discusses both microfinance and HMF sub-markets, as well as the supply and demand constraints. Section Seven provides a concluding statement to the chapter.

3.2 The Typologies and Constraints in Financing Low-income Housing in Developing Countries

According to King (2009), housing finance is that aspect of finance that allows and enables the production and consumption of housing. However, Chiquier and Lea (2009) observe that housing finance consists of many broad concepts which may vary from region to region, especially regarding their coverage. They further explain it as a system of very complex multi-sector issues driven by constant changes in local features such as the legal environment, culture, economic outlook and political systems. Hoskins et al. (2013) also point out that housing finance system is the set of arrangements put together to ensure the availability of funds to producers, buyers and consumers of housing products and services. This means that housing finance does not refer to only the fiscal money that is usually used to build and maintain the housing stock, but also includes those aspects of governance, regulations and management of the entire housing environment as a system.

Notwithstanding the above definitions, there is also a wider variety of sources of housing finance from which low-income groups may combine resources to realise their housing needs. From a contemporary housing finance perspective, many sources of finance have emerged over the years. In DCs, these include state mortgage banks, universal banks, specialised development banks, insurance companies, pension funds, corporate bodies, associations of developers, contractor finance, national housing funds, building societies, and MFIs (Chiquier and Lea, 2009; Mitlin, 2011). Other forms of finance are men's revolving loan associations, loans from traditional money lenders, various women's associations, social club contributions and other forms of support, where members contribute in kind by providing labour on a member site until the circle is completed (Tibaijuka, 2005). The above and other sources of finance can be grouped or categorised as formal (conventional) or informal (non-conventional) forms, depending on the exact source and the conditionality's associated with them.

3.2.1 Formal Housing Finance

Formal housing finance can be supplied by private-sector entities or government-sponsored or state-owned institutions (Sheuya, 2010). In the traditional system of formal housing finance, an institution mobilises savings from depositors and grants loans to borrowers. According to Mitlin (2011), many DCs formal housing finance sources are from commercial banks, which usually finance large housing construction, home improvement, the purchase of houses and the refinancing of mortgages. The most conventional form of products from these sources for housing purposes involve mortgage finance. A mortgage quite simply means a loan secured by using a real property or another kind of guarantee. The mortgage housing finance markets enable home buyers to spread the cost of housing over a reasonably extended period, thereby allowing them to meet huge housing cost obligations within their existing incomes (Sheuya, 2010).

Another source of formal housing finance is insurance companies which offer loans to the public using a policy instrument as collateral. They have the advantage of providing long-term finance, even though they tend to exclude low-income groups from their portfolios. Credit unions and co-operative organisations may also use their members' contributions and lend for a variety of purposes that could include long-term lending for housing out of surpluses or designs purposely to support members' housing needs

(King, 2009). However, Mitlin (2011) expresses concerns that one challenge in accessing formal housing finance is that the procedures for obtaining a loan are very complicated and are the last resort for most low-income groups in DCs. Moreover, due to commercial banks' restricted opening hours and locations and the fact that any money deposited with them is subject to some form of tax deduction for transaction and administrative costs, most low-income groups do not find them attractive enough to meet their housing needs.

3.2.2 Informal Housing Finance

According to UN-Habitat (2010), informal housing finance refers to the supply and demand of finance where the rules and regulations describing their operations are informally constituted and based on the customs and practices relating to the people or geographical area. Informal finance can be supplied by individuals, informal societies, national and local voluntary and non-profit seeking organisations, community and faith-based organisations and associations. These institutions can be registered or unregistered societies who supply credits on a rotational basis for their registered members on a regular basis to meet their housing and other needs. Ledgerwood et al. (2013) observe that such a supply system is usually based on mutual trust, sociocultural beliefs and experience with low-income groups over a period, rather than eligibility criteria

Friends, relatives and extended family members of low-income groups are also good sources of raising low-income housing finance. Although, such loans may be interest-free, there are usually communal or social commitments that the borrowers will need to fulfil (Hadi and Kamaluddin, 2015). One of the most common sources of informal housing finance mechanisms is self-financing through personal savings. It serves as the primary or key element in housing finance for low-income groups in most DCs. Individual savings are probably the biggest single source of funding for low-income groups (SSA/UHSNET, 2014). Individual savings among low-income groups are at most times generated out of the individual's current income. However, such methods have the principal disadvantages of taking a longer time to save, and the temptation to use the little saved for other pressing needs is usually high (Sheuya, 2010). These factors have the tendency to undermine the investment drive of low-income groups.

3.2.3 Constraints Faced by Low-income Groups in Meeting their Housing Needs

This subsection introduces the challenges and barriers low-income groups face as consumers of housing finance, in sourcing finance to meet their housing needs. For most low-income groups, particularly those in slums, a place to sleep overnight could be described as having met their housing needs. For others, their housing needs include the purchase of land, building a new house, building an additional room, improving part of or the entire existing house, and carrying out repair works. Certain factors often constrain them in meeting their housing needs. In the context of DCs, the standards aimed at are left to the low-income individuals' discretion, due to factors that include demographic factors, their income levels and housing prices within the locality, their family size and other social considerations.

In the view of Warnock and Warnock (2008), lack of access to affordable financing mechanisms is one of the most challenging factors facing most individuals in realising their housing needs in DCs. Lack of access affects the quality and standard of low-income groups' housing, which are often very low, as can be seen in Figure 2.3 in Chapter Two. According to Okoroafor (2007), lack of access often forces low-income groups to resort to their personal savings and other local mechanisms to meet their housing needs. Moreover, Mitlin (2011) attributes this situation to a systemic marginalisation of the role of low-income housing finance in DCs. Van and Mills (2003) demonstrated this in a review of formal lending institutions in South Africa and identified some grounds that contribute to the challenge of access to finance by low-income groups. They specifically enumerate challenges such as lending institutions targeting high-income earners and the demand for a minimum deposit, which is usually outside the reach of most low-income groups. Location of financial institutions outside areas where low-income groups live also contributes to the transaction costs, and hence discourages savings, due to high bank fees and interest charges (Mitlin, 2011).

Low income is another constraint facing people in DCs in accessing finance to meet their housing needs. In a study by AfDB et al. (2011), it is suggested that only 18 percent of the African population earn below US\$20 per day. Figure 3.1 illustrates much of the above situation in detail. Adopting the findings in that report to explain the issue of low income, the green section of the triangle represents 3% of the African population who have access to housing with a given income. The people in that segment

have access to affordable housing products that can adequately meet their housing needs through formal delivery channels such as mortgages, among others.

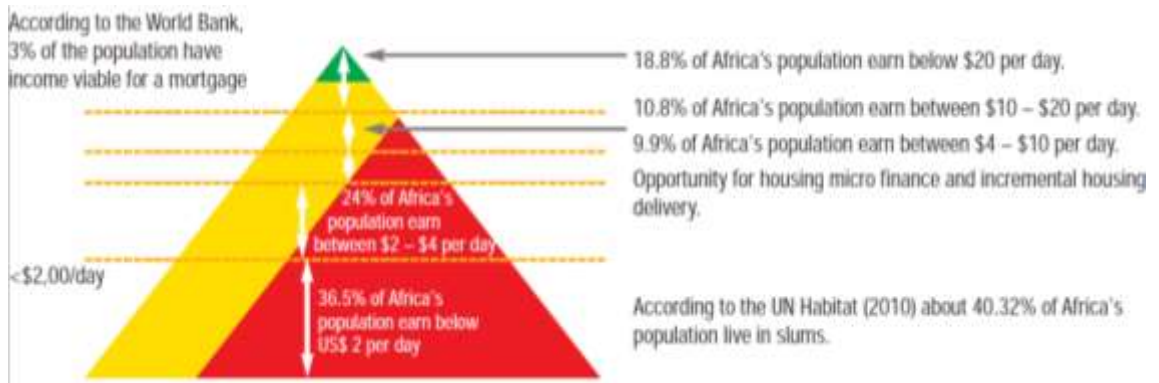


Figure 3. 1: Africa Income Analysis. Source: AfDB et al. (2011)

From the Figure above, it can be seen that the low-income groups who live below \$2.00 per day are estimated to be about 37% of the African population. Meanwhile, UN-Habitat (2010) also estimates that close to 40% of Africa's population live in slums, which suggests that all those below the \$2.00 per day are possibly living in absolute low income conditions and housing poverty, as discussed in Chapter Two. This very low-income group faces serious issues with affordability, accessibility, scalability and sustainability limitations in their quest to access finance to meet their housing needs. The only option available for them is to meet their housing needs independently, through informal financial channels and strategies.

In addition to the above issues, the informal nature of low-income earners' activities also makes them unable to provide the necessary employment documentation, aside from the other qualification requirements of their income levels for formal finance loans (Duncan, 2005). Jones and Datta (2000) earlier gave reasons such as financial institutions' favouritism towards households with above-average incomes with stable employment in the formal sector over those in the informal economy, as well as discrimination regarding family's headship, as the primary causes of low-income groups' inability to access affordable low-income housing finance. Risk is also one of the considerations formal finance institutions consider most in lending to low-income groups. In a study, Diamond and Lea (1995) identified about six types of risk which lenders often consider before lending to low-income groups. Table 3.1 below shows these kinds of risks associated with formal housing finance.

Table 3. 1: Types of Financial Risks of Financial Institutions in lending to Low-income Groups

The nature of risk	Implication	Management strategy
Credit risk	Non-payment of principal and interest at the same time	Appropriate underwriting and enforceable contract
Liquidity risk	Money needed before the due date	Access to long-term funds possible through wholes liquidity facility
Cash flow risk	Changes in market conditions also change the schedule required cash flows	Appropriate instrument design
Agency risk	Divergence of interest causing low income groups intermediary to behave in a manner other than expected	Adequate capital and supervision
Systematic risk	Crises in one part of the financial system will spread to the other parts	Appropriate institutional design that can accommodate changes in the economic environment
Political risk	Changes in the legal and political frameworks with which the lending and borrowing are taking place	Same as above

Source: Diamond and Lea (1995)

Another constraint is the presence of the poverty network among low-income groups. Network poverty simply means the absence of a personal network that includes the resources that poor people often lack, such as knowledge, wealth, skills, power and information (Struyk, 2009). The urban poor in DCs often exist and relate to each other as like-minded groups rather than with those in the socially and economically affluent neighbourhoods. Although their type of network could translate into social capital in the case of the MFIs' lending process, formal finance institutions may not consider such a network as very economic.

More important is the nature and form of low-income groups' building processes. Ferguson and Navarrete (2003) describe the incremental building process as a useful approach, in which over 70% of low-income groups' housing investment occurs through the progressive acquisition of land and the gradual improvement of the structure and legal tenure. This process offers a broad range of low-income housing solutions using informal housing finance. However, formal financial institutions shy away from such building processes. This issue indicates the urgent need to explore innovative financing strategies that meet the needs of and fit the income levels and the incremental building process of low-income groups, considering the nature of their activities in the informal sector. The next section explains the antecedence of innovative financing mechanisms.

3.3 The Historical Motivations of Innovative Financing Strategies and Mechanisms

The historical antecedence and interest in innovative financing mechanisms and strategies started at the first international conference on finance for development held in

Monterrey in 2002 (Sandor et al., 2009). The conference acknowledged the importance of exploring innovative sources of finance for development and called for increased support for such mechanisms, both at the national and global levels. In 2004, a meeting of heads of state and government under the auspices of the United Nations also issued a technical paper on solidarity levies to fund development. This was part of the options and strategies aimed at exploring innovative financing mechanisms with the possibility of piloting them in the area of health and HIV Aids (Sandor et al., 2009).

In 2005, the World summit of heads of states then commended the global efforts and initiatives made towards identifying innovative and additional sources of finance for development, at both domestic and global levels, to increase and supplement traditional sources of financing development projects (Girishankar, 2009). In that same year in New York, 79 countries endorsed a Declaration on innovative sources of financing for development, with Algeria, Brazil, Chile, France, Germany and Spain spearheading this agenda. In 2008, a declaration known as the “Doha Declaration”, also advocated the use and scaling up of innovative financing strategies for development projects (Townsend et al., 2012). These developments led to the formation of a high-level international task force on innovative financing mechanisms for health systems, launched in September 2008 (Sandor et al., 2009). The panel was mandated to devise practical strategies for innovative sources of finance to bridge the financing gaps threatening health and Millennium Development Goals in DCs (Girishankar, 2009). The recommendations from the task force included the expansion of existing forms of financing mechanisms and the exploration of new forms (Sandor et al., 2009).

Finally, at the 2009 G8 meeting in L’Aquila, the international community was advised to consider, where appropriate, the broadening of innovative financing initiatives on a voluntary basis and be committed to exploring the potential of new mechanisms (Girishankar, 2009; Sandor et al., 2009). This global political interest on innovative financing mechanisms for improving the health and well-being of the citizenry in DCs also triggered the need to explore and identify such strategies and their application in financing housing in DCs. These mechanisms, in the case of housing, must start at the micro level, where over 40% of the urban population live in slums, and reach to the macro levels in financing housing.

3.3.1 Sources of Innovative Financing Strategies for Low-income Housing Delivery

There are many types and sources of finance for financing low-income housing as discussed in Section 3.2. However, new and innovative sources include public, private partnerships, municipal bonds, direct access to international development agency funds and microfinance mechanisms, together with Public-Private Partnerships, Public-Community Partnerships, Pension Funds, Non-Governmental Organisation initiatives (NGOs), Community and Faith-based Organisations Funds (CFBOs), Social Investment Funds (SIF). All of the above mechanisms are increasingly being considered as innovative sources of finance which can also finance low-income housing DCs. For instance, Panayotou (2002, p. 313) suggests that there is a *“proliferation of new modalities of private-public sector partnerships, such as Build-own-operate (BOO)...and other joint ownerships that open up opportunities for resource mobilisation and risk sharing which were not available to most DCs”* in the past. This means that despite the prior existence of all the above financing mechanisms, their current relevance as developmental strategies make them innovative mechanisms. The next section demonstrates further the reasons why microfinance, in particular, should be considered as innovative financing strategy and how it has contributed towards meeting the housing needs of low-income groups in DCs.

3.3.2 Microfinance: A Typology of Innovative Financing Strategy

The entire theory of microfinance is a financially innovative strategy considered to have been pioneered by Yunus and the Grameen Bank in Bangladesh as a modern concept in the world (Dowla, 2006; Bayulgen, 2008). However, Miller (1986) earlier expressed the view that several of such financial innovations in many sectors had already existed in one form or the other for many years and they sprang into prominence only when some changes occurred in their existing environment. Nevertheless, theoretically, microfinance has been defined by the Consultative Group to Assist the Poor (CGAP) as a mechanism that offers poor people access to basic financial services (CGAP, 2009). Rahman et al. (2012, p. 1) also define microfinance as the *“provision of finance that includes micro-credits, savings, insurance, remittances, health, education, skill training and social awareness”*. The above definitions seem to have some disconnects in practice with issues such as the per capita income, population, poverty or the reach of the banking system. The definition of microfinance must address a broad range of policy and priority issues, such as reaching the unbanked, reaching the poor and serving micro enterprises. Building on the above considerations, microfinance, in this study,

involves the design and provision of financial services and activities to a targeted income group who are capable and willing to access these services to carry out income-generating activities to better their livelihood. Financial services and activities are also different concepts. Financial services are provided for a fee while financial activities, such as technical assistance given to the client in the case of HMF, may be free but constitute part of the loan process or conditions. The financial services provided include capital in the form of credits, financial advice on petty cash management, among others.

There are many basic products offered by MFIs, which include microcredits, micro savings, HMF, micro insurance and micro leasing. Microcredits are the primary product of microfinance used to support micro-enterprises. In recent times, HMF has also emerged as one of the innovative strategies in the microfinance domain for infrastructure development, poverty alleviation and income generation in most countries (Daphnis and Ferguson, 2004). These core products are shown in Figure 3.2 below.



Figure 3. 2: The Various Microfinance Products by Microfinance Institutions. Source: Author's construct.

According to Yunus (2007), the concept of microfinance in itself is a development mechanism that escaped the logic of charity and recognised both urban and rural poor as the strong potential pillars of socio-economic development for the communities in which they live. Such initiatives have shown that the poor need not be regarded as a bad debtor (Reed, 2011). Adjei et al. (2009) also claim that the emergence of microfinance is an innovative intervention strategy in which different and new financial products are created to help the urban poor out of poverty. MFIs do this through a mixture of techniques, strategies and tools that have assisted players within this domain in developing financial products and instruments which they offer to the lowest

socioeconomic segment of the population and who remain excluded from formal sector financial market.

In the opinion of this study, microfinance can be considered as a very crucial poverty alleviation strategy or mechanism. For example, Daley-Harris (2002) reported that, by 2000, there were about 1,580 microfinance initiatives instituted by MFIs worldwide. These institutions were serving over 30 million people, of which more than 19 million were the poor. However, many of these initiatives adopt alternative approaches to evaluating future borrowers' abilities. These approaches include the personal borrower guarantee, references, and rotating savings credit associations within which loans from a communal savings pot are accessed among low-income groups (Yunus, 2007; Adjei et al., 2009).

Despite the spread of these initiatives, the research community has also engaged in some debate concerning the value of microfinance delivery. There is still no consensus on how the successes and impact of this novel financial mechanism should be measured or assessed by practitioners, researchers and the individual low-income households. For instance, various views and schools of thought have emerged from the literature concerning the areas or criteria of assessment of the impact of microfinance. These areas identified from the extant literature are summarised as the microfinance delivery vehicles; the technologies use for the provision of the financial services, the schism views on microfinance, and the types of impact. Depending on the school of thought one adopts it may be difficult to generalise the success and impact of microfinance. The details of these views are summarised in Table 3. 2.

Table 3. 2: The School of thoughts and Paradigms on the Impact Assessment of Microfinance Delivery

Microfinance					
Schools of thought	Paradigms	Characteristics	Weakness	Sources	
1	Microfinance Delivery Vehicles	<ul style="list-style-type: none"> Community-based lending program Considered as more viable delivery vehicles for Microfinance Ability to establish close linkages with civil society Involve community in decision making Adopt a participatory development approach NGOs are innovative and entrepreneurial in dealing with the poor They operate on "trust, generosity, and ideology" basis NGOs adopt business-like practices 	Operational inefficiencies, high default rates, and political favouritism	Bhatt and Tang, 2001b; Gonzalez-Vega, 2003; Dichter and Harper, 2007; Cull et al., 2009	
	Commercial Banks, capital market players	<ul style="list-style-type: none"> For-profit seeking commercial bank Downscaling of existing commercial banks Upscaling NGOs into profit-making financial institution A departure from the social intermediation of Microfinance 	Credit and savings-led programs neither enhance social returns nor boost the economic productivity of micro entrepreneurs		
2	Technologies for Financial Services	The Minimalist Service Delivery Approach	<ul style="list-style-type: none"> Concentration on only the provision of financial services Training and technical assistance are costly to provide Provision of such services may undermine the financial self-sufficiency "Credit-only" approach 	The poor must be business-like and not over pampered	Bhatt and Tang, 2001a; Bhatt and Tang, 2001b; Brau and Woller, 2004; Ledgerwood, 2014
		The Integrated Service Delivery Approach	<ul style="list-style-type: none"> Poverty is not simply a lack of funds Poverty is as a result of vulnerability, powerlessness, and dependency Provision of social inputs as consciousness raising, health and nutrition Access to training in such areas as children's education and sanitation Social objectives of empowerment through participation Adopt the village banking methodology Provision of both markets and led business development services to the poor 	They ignore other services that can impact positively on the poor	
3	The schism	Welfarist approach	<ul style="list-style-type: none"> Depth of outreach Key to building a sustainable development apparatus Emphasizes impact studies to measure changes in borrower welfare Grameen Bank, FINCA-style village banking Require subsidies The family is the centre 	Some of them might require subsidies; subsidies support inefficient operations	Morduch, 2000; Bhatt and Tang, 2001a; Brau and Woller, 2004
		Institutionalist approach	<ul style="list-style-type: none"> Financial "broadening": building a poor-persons' financial system Breadth of outreach Financial system approach Profit seeking financial institutions Define best practices, eschew subsidies BANCOSOL in Bolivia, Bank Rakyat in Indonesia 	Less emphasis on borrowers and community. Success is gauged by institutional movements toward financial sustainability	
4	Types of Impact	Social impact	<ul style="list-style-type: none"> Area of interest is human capital development Education, health, skills empowerment Social capital, social networks, social mobility 		Morduch, 2000; Wrenn, 2005; Duvendack et al., 2011
		Economic impact	<ul style="list-style-type: none"> Consider economic variables Income, household assets, housing, Access to food 		

Source: Author's construct.

3.3.3 The Emergence of Housing Microfinance

The microfinance revolution has spawned an enormous theoretical literature worth discussing at this point in this study. In the view of Duvendack et al. (2011) the extant literature involves two approaches. There are those who address the difficulties of access to affordable financial services by low-income groups, due to lack of collateral. There is also the approach that explores the impact pathways of microfinance on micro enterprises, low-income groups and the individual households. The first strand aims at addressing low-income financial market imperfections in the area of information asymmetries. According to Armendáriz de Aghion and Morduch (2010), information asymmetries lead to the phenomena of adverse selection and moral hazard in microfinance lending. Thus, information concerning the actual and projected incomes of low-income groups, particularly for those with low overall ‘debt capacity’, is very difficult to obtain and assess.

Thus, profit-seeking MFIs are, on the above premise, not usually willing to lend to low-income groups, due to the high cost of collecting the actual information about such borrowers. The literature also addresses the issues of access to references, the need to reduce loan monitoring cost, and screening and enforcement cost in microfinance through a group lending methodology (Armendáriz de Aghion and Morduch, 2010). The second group of publications on microfinance investigate its impact pathways on micro enterprises, households and the individual, as the unit of interest. This group takes a wider view of microfinance; through the ways, communities assign access to livelihood opportunities and how MFIs can help overcome the challenges of access to credit (De Mel et al., 2008).

Moreover, the emergence of HMF as a branch of microfinance, also calls for some impact assessment regarding its ability to meet the housing needs of low-income groups. The reason for this is that meeting the housing needs of low-income groups will have a direct effect on the livelihood of the individual beneficiary, his or her household, and the community as a whole. HMF has therefore been described by Merrill and Mesarina (2006) as a subgroup of microfinance. Daphnis and Ferguson (2004) suggest that it is the adoption and use of microfinance principles or strategies to meet the housing needs of urban dwellers. Kihato (2014, p. 13) also described HMF as any “*financial mechanism or tool used to support investment in any component of housing*

that includes land acquisition, access and provision of housing service improvement, renovations, maintenance and the incremental building process of low-income groups”.

In this study, HMF refers to the adoption, design and provision of microcredits or small loans, usually given to low-income groups or households by MFIs at or below market rates for a short term, with less stringent conditions, specifically towards meeting their housing needs. HMF is an attempt to address some aspects of the constraints in the low-income housing value chain, using the concepts of microfinance approaches. According to Ferguson (2003), the use of HMF credits, either for self-help home improvement and expansion or new construction of basic core housing units has risen to meet the housing needs of low-income groups. HMF is highly appropriate for financing the stages or incremental house building process of low-income groups. It is also a best-fit mechanism in the financial and low-income property markets in most DCs. This mechanism is vital for low-income groups, due to the unstable nature of their incomes.

The concept is a new and an innovative product in many countries' housing finance sectors, which operates on two-way approaches where low-income groups or individuals can either access cash loans for home improvement or obtain first-hand skills on how to build their houses with loaned construction materials (Kono and Takahashi, 2010). HMF has been used for the construction of household latrines through which both households' and community leverages their resources for housing improvements. Such initiatives have occurred in countries such as India, Lesotho, Vietnam, Bangladesh, Pakistan and Burkina Faso (Mehta and Knapp, 2004). However, how this product is delivered successfully over time, particularly in Ghana, is less known. In addition, the intentions of MFIs which provide such products to venture into the housing market are also less researched in Ghana. This study, therefore, aims at filling this gap in the research and knowledge.

3.3.4 The Fundamental Features of Housing Microfinance

In addition to the target group of the loan facility, the following features define the majority of HMF loans offered by Housing Microfinance Institutions: the loan size, terms of the loan, the interest rate on the loan, the delivery method, and type and terms of the collateral (Brusky, 2004). In addition to these features, Schumman (2004) also observes that HMF is a more appropriate lending methodology and strategy than traditional mortgage lending regarding serving the housing finance needs of low-income groups. Cain (2007) supports this point and further points out that there is flexibility in

access and repayment terms with HMF contracts. This is due to the small nature of the amount that is usually given out for the incremental building.

Collateralisation issues, until recently have also not been found to be much of a problem in HMF design and delivery (Derban et al., 2002). Moreover, in the opinion of Daphnis and Ferguson (2004), HMF programs also have the potential of being integrated into any MFI's existing microenterprise finance operations, without any adverse effect on the quality or growth of the existing portfolios. They further argue that it is very easy for any MFI's existing loan or credit officer to be trained to offer HMF loans, without any difficulties or negatively affecting their productivity. MFIs who adopt and design HMF into the housing market will be contributing to the innovation and entrepreneurship efforts in both housing and microfinance industries in emerging markets.

Additionally, some HMF programmes include an optional construction and technical assistance component to ensure a high standard of quality in the building process. It ensures better use of finance and achieves sustainability and profitability for the MFI within the shortest time (Ferguson and Smets, 2010). This is possible because low-income groups, as an element in meeting their housing needs, also require some construction and technical assistance, in the form of building drawings, projected construction costs and estimating, as well as construction supervision (Leion, 2006). It will, therefore, be critical for all MFIs to incorporate construction and technical assistance into the design of their HMF loan products and customise them towards the low-income borrower's needs. Details of these features are shown in Table 3.3 below. These features, among other factors, influence the supply and demand of HMF in DCs.

Table 3. 3: Key Features of Housing Microfinance

Key Features	Description
Loan size	Often 2 times larger than the average low-income groups' working capital
Loan terms and conditions	Usually \leq 2yrs for home improvement and 5yrs for land and construction
Interest rate	At or below market rate depending on the type of MFIs
Delivery methodology	On individual basis than group.
Collateral issues	Part of savings used as collateral, co-signers often used, proof of ownership of land or house to be improved, sometimes unsecured.
Target group	Low-income earners and microenterprises in urban and rural areas.
CTA	Depending on the delivery strategy and type of MFIs. HMF loans are usually complemented with construction and technical assistance.
Type of MFIs involve	For-profit or non-profit seeking organisation, institutional or welfarist organisations
HMF delivery strategy	As a provider or supporter, often see housing as a verb or a noun

Source: Adopted and adapted from Brusky (2004)

3.3.5 The Role of Housing Microfinance in the Low-income Housing Market

Opportunities for HMF exist from the decision or intention of members of low-income groups to meet their housing needs through land acquisition, and the building design and construction and maintenance stages of the incremental housing building process. HMF can be used to help draughtsmen set up their architectural offices, and artisans to purchase their working tools and equipment among other forms of assistance. Housing Microfinance Institutions can also harness the professional expertise of such groups as part of their portfolios in designing and executing HMF programmes at the local level.

Since HMF operates on the principle of microfinance, especially in Ghana, where land is vested in family heads and chiefs, it can help individual low-income groups or individuals to acquire land by stepping in as intermediaries between the chiefs and beneficiaries. However, it is also possible that Housing Microfinance Institutions may be very much more interested in financing housing expansion and renovation works than granting loans for building new houses. Revolving loans can be the best form of loans for the incremental building process. It can also be extended to small neighbourhood groups or cooperative housing schemes for simple low-income housing projects on a large scale. According to Biitir (2008), HMF can help speed up the construction process of low-income groups. Kihato (2014) also established that there is enough evidence showing that about 20 percent of microenterprise loans are diverted by low-income groups to meet their shelter needs. This means that the demand for HMF will continue to be a demand-driven industry in DCs. The above roles of HMF are summarised in Figure 3.3 below.

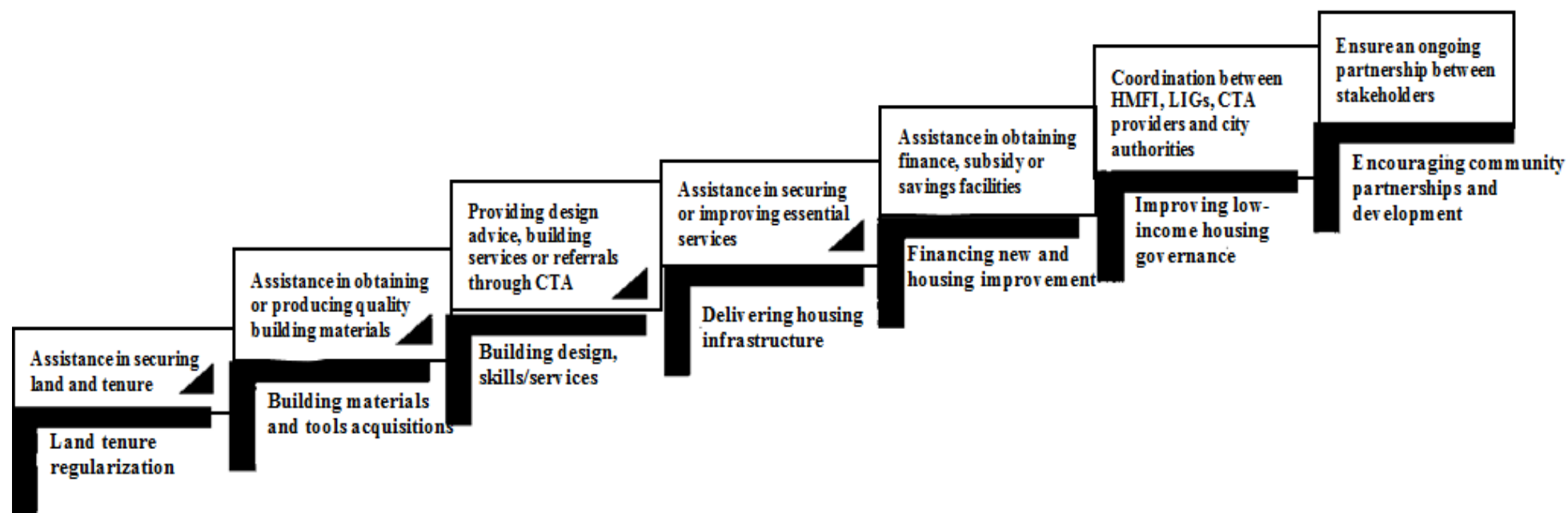


Figure 3. 3: The Role of Housing Microfinance in the Low-income Housing Market. Source: Adopted and adapted from Habitat for Humanity (2014)

Notwithstanding the opportunities in HMF identified above, there are also some disadvantages in the use of HMF by low-income groups. The application of microenterprise finance principles to housing is very detrimental to low-income groups. Thus, microenterprise loans are expected to increase business income which can be ploughed back into the business for expansion and repayment of the loan (Owolabi, 2015). However, in the case of HMF, the loan goes into the house construction and does not generate immediate income to reimburse the loan. It puts undue pressure on the low-income borrower to make alternative arrangements to generate extra income from alternative sources to service the loan before accessing another loan.

Additionally, building material prices might have also escalated by the time the next loan is ready to be used. The cost of rework in construction will be very expensive, as some portions of the already completed works will have to be demolished and reconstructed. Again, the technical expertise that is available at the first time of the construction may not be available again to offer the necessary assistance, as anticipated during the subsequent stages of the construction. Regulations concerning urban development may also change in the face of the rapid urbanisation occurring in most DCs. This urban challenge coupled with the already sketchy nature of the tenure of low-income groups may also result in some of them losing their land for new development. More important is the fact that other family or emergency commitments such as paying for school fees, or funerals might have also come up, which have to be addressed before the next time that the second loan will be ready (Ferguson, 2003).

Another challenge which affects HMF delivery is the misclassification of the urban poor. Both rural and urban poor are diverse, and therefore their financial needs and behaviours are also diverse. However, Housing Microfinance Institutions mix all of them up as 'poor', without any sectorial and segmentation studies on their financial behaviour patterns based on their diversities. Ledgerwood et al. (2013), for instance, argue that the savings and income behaviour of agricultural labourers may be different from that of the farmer himself, let alone a seamstress or carpenter located in an urban centre. Research further indicates that even within a similar livelihood environment, males and their female counterparts have different attitudes towards the allocation of household resources, which includes finance (Moser, 2015). These differences will generate some innate differences in their financial patterns due to age, health, income and many factors.

Apart from the individual attitudes towards savings, group dynamics and culture can also influence low-income groups' choice and willingness to pay for the services they receive from Housing Microfinance Institutions. The above issues can serve as disincentives to MFIs which have the intention to enter the housing market with HMF products. Existing Housing Microfinance Institutions may also opt out of such markets if any of the above issues exert a severe effect on the success of their operations. As already demonstrated in sections 3.3.2 and 3.3.3, on the justification for HMF to be considered as an innovative financing strategy, the next section analyses the concept in a framework that further demonstrates the importance and benefits of adopting HMF for the housing market.

3.4. Conceptualising Housing Microfinance as an Innovative Financing Strategy for Low-income Housing Delivery

There are several studies on the subject of innovative financing as well as the importance of low-income housing in the socio-economic development of DCs (Sandor et al., 2009; Badu et al., 2011; Konadu-Agyemang, 2001). The extant literature further indicates that there is an increase in the application and use of innovative financing strategies in water and health-care infrastructure financing (Trémolet et al., 2007; Badu et al., 2011). However, their application and use in the housing sector, especially in low-income housing delivery are less researched in the case of Ghana. Notwithstanding the above research gap noted, three main strategic paradigms have been identified under which innovative financing mechanisms falls. Cohen (2002) categorised them as syndication, redistribution and earmarking paradigms. A syndication mechanism in innovative financing strategy occurs when an entirely new funding mechanism is employed to finance a development project or any similar project such as housing. Badu et al. (2011) reported a syndicated loan which was raised to finance a mega-hostel housing project at the University of Ghana in Legon. Such loans arising out of a syndicated financing mechanism can only be secured with the rental proceeds as collateral. In the case of low-income housing, such a strategy may not be a feasible option for the lender (in this case, an MFI) because low-income housing usually does not generate instant revenues that can be used to offset the loan in the immediate term.

The second financing strategy is the redistribution mechanism which deals with using a familiar funding mechanism to fund and deliver different categories of infrastructure (Nichol, 2007). For instance, according to Badu et al. (2011), Public-Private-

Partnerships, as mentioned in section 3.3.1, are innovative financing strategies because private sector participation in the construction and operation of a public asset that has traditionally been financed by the public sector such as roads or water supply is on the increase. Finally, an innovative financing strategy becomes an earmarking strategy when an existing mechanism is used differently from its original use (Cardone and Fonseca, 2006; Sihombing, 2009). For instance, the use of borrower's savings from an MFI for business expansion is an innovative approach, since a portion of the borrower savings is earmarked for the debt servicing while the remaining portion is for the firm's expansion. Similarly, the use of part of those savings for housing activities, while the remaining portion serves as collateral, is also an innovation under the earmarking strategy. An earmarking strategy at the micro level of delivering finance and infrastructure allows households to see the benefits of their sweat savings. Thus, it makes it economically expeditious to raise incomes to meet a specific need and hence improve low-income groups' living conditions.

Having identified the earmarking strategy under which HMF falls, this section explains the areas of usage and outcomes. Under the earmarking strategy, HMF can be used to finance and deliver low-income housing through new construction, housing improvement, housing repairs, slum upgrading and provision of housing infrastructure. The expected benefits that will accrue from using HMF under an earmarking strategy include the utilisation of low-income housing for the economic prosperity and income generation activities of low-income groups. Low-income groups will be able to live in a safe and protected environment. They are also likely to enjoy the benefits of HMF in a self-fulfilling and in a satisfactory sociocultural manner that will also help improve on their standard of living. Finally, good low-income housing for the low-income individual will serve as a poverty eradication strategy, since he/she can use the house for income generation activities (Ferguson and Smets, 2010). Figure 3.4 shows a conceptual framework for studying HMF as an innovative financing strategy for low-income housing delivery.

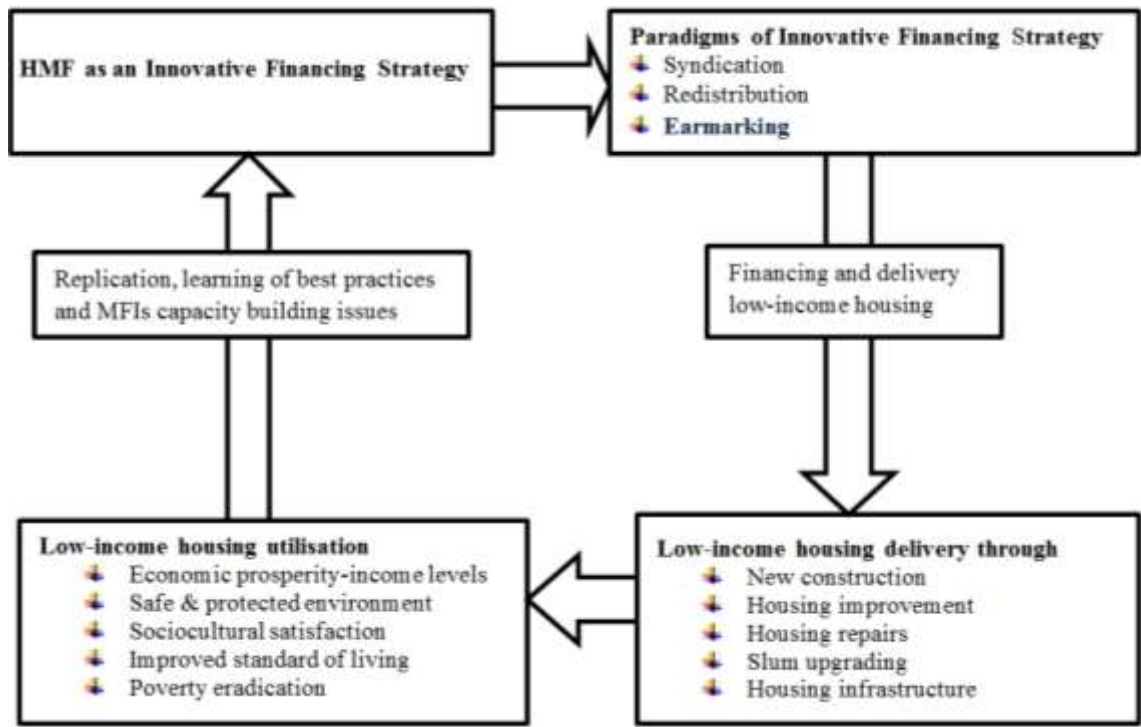


Figure 3. 4: Concepts of Innovative Financing Strategy for Low-income Housing Delivery. Source: Adopted and Adapted from Badu et al., (2011).

3.5 Housing Microfinance Practice and Delivery Strategies in Developing Countries

Since the emergence of HMF, many have approached the issue of credit accessibility and shelter improvement of low-income groups in two ways. For instance, Young (2007) notes that there are both advocacy groups and researchers who are of the view that community organisations must mobilise themselves towards the enhancement of housing rights of the urban poor, through advocacy programmes such as shelter advocacy to housing finance (SAHF). These are those who see HMF adoption as a process innovation and tend to influence the low-income groups' incremental building process through a facilitating process. Organisations and institutions that support this ideology play a supporting role in the delivery of HMF to meet the housing needs of low-income groups.

The other strand of HMF literature suggests that there is another group of advocates who support the idea that the application of microcredit towards financing housing should be microcredit for housing finance (MCHF). In this regard, MFIs must also explore new markets for their new products. They then tend to explore markets that are easy to enter, such as the low-income housing market in DCs. Proponents further advocated that house building process for low-income groups should take the form of a

product delivered as a complete package and not a process, through the usual piecemeal approach, as in the incremental building process.

In Hamdi's (1995) book, *"Housing without houses: participation, flexibility and enablement"*, he also put forward two HMF delivery strategies as shown in Figure 3.5 below. These are the provider and supporter strategies in the delivery of HMF to low-income groups to meet their housing needs. According to Hamdi, proponents of the provider strategy approach (PSA) model argue that the solution to the low-income housing challenge in DCs is to build more houses with the available resources and credits. Organisations and institutions that believe in this strategic model tend to control the building process to deliver more housing units within a certain space of time to a certain standard and for a certain class of the lowest socioeconomic segment of the population. These organisations take pride in the completed physical structure. This approach often ignores the choice, willingness and ability to pay for aspects of housing by low-income groups in DCs. In this regard, the provider institutions' and low-income groups' choices often conflict with each other over standards and ability to pay. Thus, the PSA has often observed low-income groups' housing and informal housing as an illegal act within the built environment. Metzel (2009) reports that such sponsors in an HMF programme will insist on quality shelter and exercise control over what and how their loans are used to build. In such situations, they set some minimum quality standards which HMF clientele must meet before loans are granted. This view, in most cases, often leads to an anti-pro-poor intervention delivery strategy.

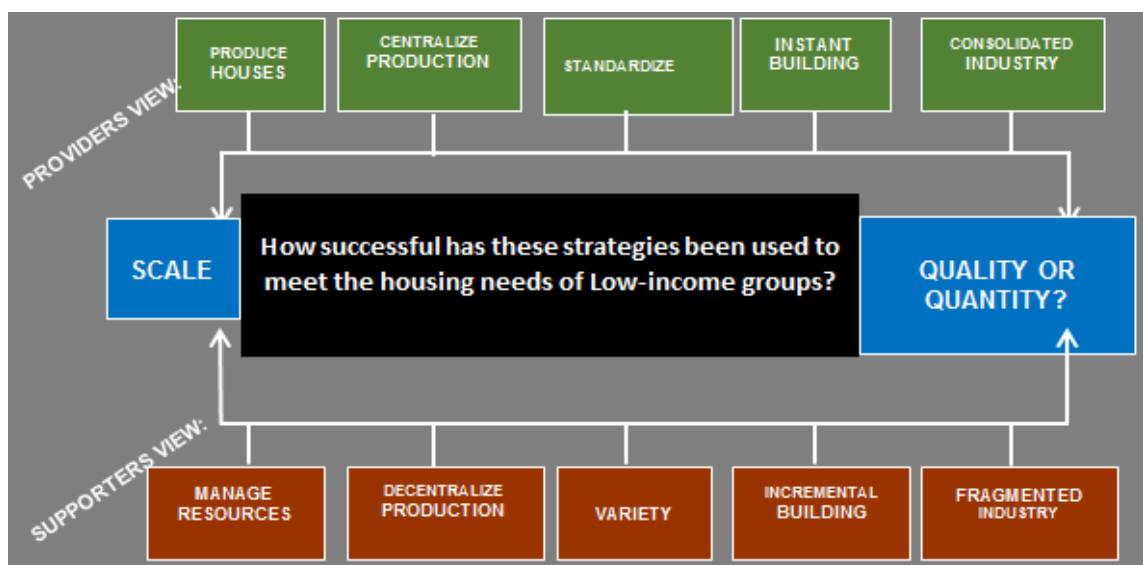


Figure 3. 5: Housing Microfinance Delivery Strategies. Source: adopted and adapted from Hamdi (1995) Metzel (2009)

The other HMF delivery strategy is known as the supporters' strategy approach (SSA). In this approach, more emphasis is placed on controlling the incremental building process of low-income groups. In that context, the adoption of such a strategy by Housing Microfinance Institutions enables the flow and makes available critical resources towards the acquisition and maintenance of the construction process. SSA views the management of essential resources such as land, construction and technical assistance and finance to assist low-income groups to meet and improve their housing needs, as very crucial. In this approach, sponsors see themselves as not the real builders, but consider their role in a wider variety of possible supporter approach and intervention perspectives. They therefore often leave the building process in the hands of the prospective low-income group home builders. The strategy tends to legitimise and embrace informal housing and incremental building activities in DCs (Hamdi, 1995). Proponents of the SSA further suggest that without the addition of construction and technical assistance to low-income groups in the incremental process, HMF delivery will just be like that of any other microfinance products (Metzel, 2009). In their view, the addition of construction and technical assistance makes HMF a unique and innovative financing strategy in the housing market in DCs.

Aside from the above distinctions, SSA also contradicts PSA on the basis of whether placing emphasis on attaching construction and technical assistance to HMF is feasible and necessary regarding sustainability. Another major disconnect between the two strategies is that, whereas PSA views housing as a problem to solve which they bring both technical and financial expertise, SSA observes that the housing solution involves not only technical and financial assistance. Rather, the solution can be found in the everyday practices of low-income groups,' which need to be recognised (Hamdi, 1995; Metzel, 2009). Moreover, while the SSA often puts across the issues of scalability and sustainability as well as the appropriateness of the PSA in the context of low-income groups' livelihood strategies, the PSA also disagrees with SSA on the basis that SSA interventions usually do not meet urban housing qualities and standards. Any of the above HMF delivery strategies adopted by Housing Microfinance Institutions will have a tremendous and visible effect on the design, delivery and the supply and demand of HMF by low-income groups. This thesis takes the position that the degree of involvement by a Housing Microfinance Institution determines whether it aligns itself with the PSA or SSA in the delivery of HMF to low-income groups in DCs. This will, in turn, determine the type and nature of the HMF product that will be offered to low-

income groups. The pros and cons of the views of both Young (2007), Hamdi (1995) and other authors are summarised in Table 3.4 below.

Table 3. 4: Classification and Differences in Housing Microfinance Programmes and Delivery Strategies

Housing Microfinance practice and delivery strategies					
School of thought	Paradigms	Characteristics	Weakness	Sources	
1 Shelter Microfinance initiatives	Microcredit to Housing Finance (MCHF)	<ul style="list-style-type: none">HMF emerged as a result of enterprise loans diversion towards home improvementMFIs use their existing enterprise loans disbursement and repayment mechanismsThe financial performance and achieving the development mission of the MFIs are all important.	Advocates call for the commercialisation of HMF. Regards both urban and rural poor as economic agents and partners	Ferguson and Halder, 2000; Young, 2007; Smets, 2006; Mills, 2007; Stone, 2010.	
	Shelter Advocacy to Housing Finance (SAHF)	<ul style="list-style-type: none">HMF emerged out of slums upgrading effortsMuch focus is on land rights and shelter advocacyCredit plays a supplementary roleEmphasis is on human development indicators than on financial performanceTends to have larger loan amount and longer tenure	Faces scalability challenges		
2 HMF delivery strategy	Supporter Approach	<ul style="list-style-type: none">They propose a broad range of possible support intervention areas and approachesLIGs should have more control over the building process left in their handsIncremental building is a reality and part of the LIGs housing building processThey support informal housing activities whole heartedlyThe LIGs housing solutions exist in their everyday practiceAllocate resources for LIGs to initiate their own building process	Non-mechanisation of the housing delivery process lead to poor quality and long years to delivery. Both quantity and quality are compromised. Subsidising heavily due to affordability.	Hamdi, 1995; Brown, 2003; Ferguson, 2003; Metzel, 2009; Cacnio, 2001; Baumann and Mitlin, 2003; Tilley, 2007; Cornelis and Ruben, 2008; Voola, 2013.	
	Provider Approach	<ul style="list-style-type: none">To produce low-income housing effectively is to be mechanisedTo mechanise effectively, low-income housing delivery must be standardiseTo standardise effectively, will enable better control of quality, quantity and costTo solve problems of housing is to build a large number of housesIs typified in public mass housing projects in developing countriesMFIs that hold the PSA views tend to build low-income houses with a standardise designs with a require type of materials and technologyPromotion of appropriate local materials and technology e.g. stabilised block soilsDetermination of type of materials and quantities determine by the provider organisationProcurement of materials and services is influenced by the provider on behalf of LIGs client	LIGs have less say in their housing decisions. A stakeholder is aparty towards non-full recovery. Subsidisation sometimes leads to serving wealthier clients. Difficulties in sustainably providing housing services to large numbers. Cost of materials fluctuates with the initially agreed cost remains constant due to the prototype designs. Quality challenges and dissatisfaction with the house is often eminent. The standard house might not be exactly what LIGs wants or need.		
3 Profit motives	Non-profit seeking MFIs	<ul style="list-style-type: none">Growth is hindered by severe equity constraintDepends largely on excess earnings and uncertain funding from donors partnersRisk being overcapitalised as competition get intense	More emphasis on affordability than sustainability. The urban poor is a social partner, not a business partner	Christen and Drake, 2002; Gibbons and Meehan, 2002; Woller, 2002; Cull <i>et al.</i> , 2014; Mersland, 2009; Labie and Mersland, 2011; Milana and Ashta, 2012.	
	Profit-seeking MFIs	<ul style="list-style-type: none">Profit motive leads MFIs to be more efficient.Efficiency will enable them to uphold lending to the poorest customersInstitutional success is their focus	More emphasis on sustainability and not affordability. The urban poor is both an economic and business partner		

Source: Author's construct.

3.6 The Microfinance and Housing Microfinance Market in Ghana

This section presents an overview of both microfinance and HMF markets in Ghana, where the study took place and discusses the supply of both microfinance and HMF in Ghana.

3.6.1 The Microfinance Market

According to the Bank of Ghana, in 1955 Canadian Catholic Missionaries established the first credit union in the northern region of Ghana, which happened to be the first in Africa (BOG, 2007). The contemporary “Susu” concept and schemes also emerged after the first credit union in the country. This concept emerged from Nigeria and had been imported into Ghana in the 1900s and by the 1950s, it evolved to include the provision of subsidised credits to the most rural poor (Derban et al., 2002). According to Kyereboah-Coleman and Osei (2008), it was in 1965 that the Agricultural Development Bank was also established to address or meet the financial needs of rural farmers and fishermen along the coast of Ghana. Rural and community banks were also set up with the mandate to dedicate 20% of their portfolios towards the agricultural sector.

Subsequently, there was a shift from the financial sector regulatory regime to a liberalised regime in the 1980s. The liberalised regime encouraged the emergence of many financial institutions in the financial landscape of the country. In 1991, according to the BOG (2007), PNDC Law 328 was enacted to allow various categories of financial institutions to participate in the financial sector. It was at this stage that institutions such as savings and loans companies, financial NGOs, credit unions and MFIs emerged in Ghana (Kyereboah-Coleman and Osei, 2008). They aimed to provide a broad range of financial services to small business enterprises. The expected outcome of the evolution of the financial sector was to improve access to financial services by the bottom economic segment of the population and small firms in the country. Although the above financial sectors reforms still face some institutional and sectoral challenges, it has enabled innovative financial institutions ease of entry into other areas of the economy. One such sector is the low-income housing market.

Apart from access, another significant outcome of the financial reforms in Ghana over the years is the development of categories of suppliers of microfinance in the market. These are formal, semi-formal and non-formal suppliers.

- *Formal suppliers:* These include savings and loan companies, rural and community banks, development and commercial banks and other registered business entities.
- *Semi-formal suppliers:* These comprise credit unions, financial NGOs, cooperatives and Susu associations.
- *Informal suppliers:* These also cover institutions such as money lenders, Susu collectors and rotating and credit associations.

The interest of this study is on the formal providers of microfinance in the country. Ghana had about 79 MFIs by 2013, according to the microfinance information exchange (MIX) market. The MIX market is a global web-based exchange platform which currently contains information on over 1,383 MFIs, 103 investors and 182 partners in the microfinance industry worldwide (MIX, 2016). The MIX records both private and public funds invested in microfinance as an important resource platform for stakeholders in the microfinance industry worldwide. Two of such institutions participated in the study. Their characteristics and financial data are shown in Appendix 1. CAHF (2014) estimates that there are about 301,338 low-income group borrowers willing to access microfinance, in Ghana, whose cumulative loan portfolio could amount to about US\$ 225 million per annum. The structure of the microfinance market in Ghana is shown in Table 3.6 below.

3.6.2 Stakeholders in Ghana Microfinance Industry

Many stakeholders are involved in the microfinance value chain in Ghana. These are summarised in Table 3.5. They are considered as stakeholders due to the vital role they play in their respective capacities to ensure the success of the industry in the country. For instance, while the government formulates regulations through the Bank of Ghana to regulate the industry, the supporting institutions assist both government and MFIs through technical and training assistance.

Table 3. 5: Stakeholders in Ghana Microfinance Industry

Major Stakeholders	
Microfinance Apex Bodies	<ul style="list-style-type: none"> ❖ Association of Rural Banks (ARB) - Rural and Community Banks, ❖ ARB Apex Bank ❖ Association of Financial NGOs (ASSFIN) – FNGOs ❖ Ghana Cooperative Credit Union Associations- Primary Societies ❖ Ghana Cooperative Susu Collectors Association - Susu Collectors ❖ Savings and Loans Companies ❖ Some development and commercial banks ❖ Micro-insurance and micro-leasing companies
End Users	<ul style="list-style-type: none"> ❖ Economically active low income groups who are clients of MFIs ❖ Microenterprises
Technical Service Providers	<ul style="list-style-type: none"> ❖ Business Development Service Providers,
Government of Ghana	<ul style="list-style-type: none"> ❖ Ministry of Finance and Economic Planning ❖ Bank of Ghana ❖ Ministries, Departments and Agencies (MDAs) ❖ Metropolitan, Municipal and District Assemblies (MMDAs) ❖ Microfinance and Small Loans Centre (MASLOC)
Supporting Institutions	<ul style="list-style-type: none"> ❖ Microfinance and Small Loans Centre (MASLOC) ❖ The Ghana Microfinance Institutions Network (GHAMFIN) ❖ Universities, Polytechnics, Training and Research Institutions ❖ Development Partners and International NGOs ❖ Habitat for Humanity-Ghana

Sources: BOG, (2007) GhAMFIN, (2013)

3.6.3 Policies and Regulations on Microfinance in Ghana

Regarding regulation, the industry is segmented into four sectors known as tiers. This study's interest is in the tier one and tier two segments of the market. The other tiers are also tabulated in Table 3.6 below.

Table 3. 6: The Categories of Microfinance Institutions in Ghana

Tiers	Type of Institution	Nr. Registered	Min. Capital Requirements	GAR	AR	Total
Tier 1	Savings and Loans Companies	22	Gh¢ 15m	10	5	15
	Rural and Community Banks	136	Gh¢ 300,000	46	20	66
Tier 2	Microfinance Companies	638	Gh¢ 500,000	200	102	302
	Credit Unions	538	N/A			
Tier 3	Financial NGO's	43	Gh¢ 300000			
	Money Lending Companies	135	Gh¢ 300,000			
Tier 4	Individual Susu collectors	472	N/A			
	Individual money lenders	250	N/A			
Total		2,234				383

Sources: GhAMFIN (2013)

3.6.4 The Housing Microfinance Market in Ghana

Regarding HMF markets, the known Housing Microfinance Institutions offering HMF are all savings and loans companies which are either supported by donor agencies or in partnerships with international organisations. The companies offering HMF at the time of the study are Opportunity International Savings and Loans Company (OISL), Sinapi Aba Trust Savings and Loans Company (SAT), and Home Finance Company-Boafo Microfinance Services Limited (HFC-Boafo (these were the institutions used in the study); the others were Ezi Savings and Loans Company (ESL). Union Savings and Loans Company (USL), and Global Access Savings and Loans Limited (GASLL). ProCredit is known to have launched the first HMF portfolio in the country in 2006 but later abandoned it for the SME sector (Derban et al., 2002). HFC-Boafo launched their organisation in 2007, while both OISL and SAT collectively conducted low-income housing market surveys and subsequently piloted their portfolios in that same year of 2007 (BOG, 2007).

The above companies were able to successfully design and deliver HMF programmes in partnership with international organisations which provides both funding and technical assistance. Whereas HFC-Boafo collaborated with the Cooperative Housing Foundation International (CHF) and their parent bank, HCF Bank, both OISL and SAT partnered with USAID and Habitat for Humanity-Ghana to pilot their HMF programmes. SAT operates mainly in the Ashanti region. OISL also operates branches in other regions, with the rest of the other companies operating principally in the Greater Accra region. Even though efforts are underway to create awareness and promote the growth of HMF in Ghana by Master Card Foundation and Habitat for Humanity-Ghana, the limited number of organisations offering HMF indicates that many MFIs are unwilling to enter the low-income housing market. Notwithstanding the low supply of HMF, this study was able to identify some of the potential drivers from both supply and demand sides, which are shown in Figure 3.6 below.

Supply Drivers	Demand Drivers
<ul style="list-style-type: none"> • Inadequate low-income housing in urban centres • Low penetration of commercial banks • Available and developing microfinance sector • Obtainable sources of funding through Savings, Deposits, Ghana stock exchange market and diasporas remittances 	<ul style="list-style-type: none"> • High urban population • High rate of urbanisation • High interest rates • Tenure security • LIGs housing choice and preference • Preference for ownership than renting

Figure 3. 6: The Drivers of Housing Microfinance Delivery in Ghana. Source: Author's construct.

3.6.5 Culture as a Factor in Housing Microfinance Delivery

Culture plays a significant role in the design and delivery of HMF, which MFIs must take into consideration in their operations. This is because of the philosophy behind the concept of microfinance. Thus, in providing both financial services and non-financial services to urban and rural poor in countries such as Ghana, MFIs are likely to encounter people with different types of local cultures. An understanding of these local cultures will help them design and implement HMF products successfully. Matsumoto and Juang (2012) define culture as a set of a forceful system of rules which can be explained in both explicit and implicit terms. Although culture is intangible in nature, it does bring pervasive, deeply held and implicit beliefs and values among a group of people (Spencer-Oatey, 2012). Practically, culture can be seen in the way an identified group of individuals speak, eat, think, learn, act, and socialise, based on their attitudes, values and norms.

Rana (2008), in a study set in Bangladesh, confirmed that the need to understand the cultural orientation in managing microfinance is an important aspect of making it effective. Deubel (2003) also demonstrated how cultural features could be integrated into the development of microcredit in Mali. Similarly, Rudjito (2003) reported that the success of Bank Rakyat Indonesia (BRI) could be attributed to the bank's use of the cultural methodology in its microfinance programmes and operations. Phlong (2009) also studied the informal credit system and demonstrated that one reason for the effectiveness of microfinance in Cambodian society was attributed to a better appreciation of the prevailing local culture. Moreover, both the local and internal cultures of MFIs could also affect HMF delivery and practice. In Ghana, these effects range from human resource practices in hiring local staff, creation of institutional culture, the products and services designed, gender targeting, service environment

development, the nature of the building forms, the land tenure systems to loan repayment, among others.

Studies by Ledgerwood and White (2006) showed that employment of local staff tends to instil confidence in customers, which helps in the communication process between local clients and MFIs. This is as a result of the familiarity of the local staff with the cultures in the location of the MFIs. According to Rudjito (2003), many MFIs in Indonesia attempt to customise their activities by adopting the forms and shapes of the Indonesian buildings, as well as the colours, or the local material life relating to their culture. Community acceptance and participation, in the case of Ghana, is, therefore, an important mechanism that can influence MFIs and HMF operations in general.

Many studies have also demonstrated that the success of loan repayment has a direct link to the cultural dynamics of localities (Gripaldo, 2005; Phlong, 2009). In the Philippines, Gripaldo (2005) reports that two prominent cultural traits, called the Pakikisama and Sakop, permeate in almost all aspects of a Filipino's life. For instance, if one family has a financial or a loan repayment problem, then this can be shared among community members to find a solution. These cultural traits are also prevalent in West Africa, particularly in Ghana. In northern Ghana, such practice is popularly known as "Suntaa Nuntaa", and "Innobia" in southern Ghana. This could contribute positively to the success of any HMF program in such societies. Phlong (2009) also notes that the belief in karma in Cambodia has become a principle that guides people's behaviour, which includes credit and loan practices.

3.7 Chapter Summary

In conclusion, this chapter has identified HMF as an innovative financing strategy that is a best-fit mechanism for the incremental financing and building process of low-income groups in DCs, using Ghana as a case study. It emerged that it is innovative under the earmarking paradigm of innovative financing. The barriers and constraints identified include the limited number of MFIs operating in the housing sector, despite the numerous opportunities regarding market size in the country. It also emerged that the use of innovative finance by low-income groups will broaden the economic and governance functions in their housing development efforts. The chapter further concludes that innovation in finance at the micro level will ensure regular access and affordability of finance on a sustainable basis towards meeting low-income groups'

housing needs in Ghana. In the next chapter a discussion on the appropriate theoretical literature is presented explaining and synthesising the potential de/motivators behind MFIs' intention on whether to enter the low-income housing market.

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CHAPTER 4

THE THEORETICAL PERSPECTIVES OF MICROFINANCE INSTITUTIONS' INTENTION ON WHETHER TO ENTER THE HOUSING MARKET

4.1 Introduction

In the previous Chapters, it has been established that in DCs, rapid urbanisation has outpaced most housing policies and low incomes among the populace are the banes of their inability to meet their housing needs. In these Chapters, HMF was identified as an innovative financing strategy that fit the incremental process of building houses among those in the bottom segment of the population. This Chapter explores the important factors that could influence MFIs' intention on whether to enter the low-income housing market in DCs. Related studies on innovation, organisational behaviour, migration and the Push-Pull-Mooring framework model are reviewed and used to evaluate and explain the identified factors for MFIs' intention. The Chapter has six sections. Section two discussed the theory of innovation. Whereas Section three discussed the concept of motivation, organisational behaviour, Section four reviewed the migration theory and Push-Pull-Mooring model on MFIs' intention. Section five also explained the proposed Push-Pull-Mooring model for evaluating MFIs' intention and section six concluded the chapter.

4.2 The Theory of Innovation

This section aims to demonstrate theoretically further, the reasons why HMF is innovative and should be classified under Innovative Financing Strategy. To begin with, the theories of innovation and diffusion revealed many philosophical justifications of the need for innovation and its process in many industries. The first justification is by Rogers (2010.P.11) who postulates that innovation is *"an idea, practice, or object perceived as new by an individual or another unit of adoption"*. His view on innovation is that it is a singular invention adopted through a process of protagonist "marketing" with the potential adopters' (MFIs) behaviour or intentions being very critical. Critical in the sense that both adopter (MFIs) and agent (low-income groups) ability do not matter in promoting the innovation to persuade or motivate the potential adopter.

Agarwal and Bayus (2002), also argue that innovation and diffusion are not separate processes, but is the first step in the diffusion process which potential adopters' decisions and intentions concerning its adoption is based on judiciousness rather than

cajoling or motivation. They observed that innovations are ideas or technologies which are continually adapted and adopted; they represent and influence social and cultural change within their adopted environment. Many economists, on the other hand, also concentrate on the economic factors of "inducing" innovation in an economic rather than individual perspective (Ruttan and Hayami, 2011). They argue that innovation originates from some internal scarcity of some components of production. However, critics such as Lau et al. (2013) disagreed and postulated that innovation comes from some external and structural variables independent of the potential adopter of the innovation.

In analysing the above viewpoints, it could be argued that there is evidence that shows there is a lack of capital, land and labour which are affecting housing delivery in many DCs. The above perspectives have induced some form of innovation regarding developing innovative financing mechanisms and products that can be used to finance low-income housing in these countries. Moreover, mismatched housing policies, distortions in the housing markets, the politics concerning housing and lack of strong housing institutions in DCs are all external and structural factors that influence housing delivery. All the above could also help "induce" innovation in the housing market. Complementarily, Keupp et al. (2012) define innovation regarding a firm achieving sustainable and competitive advantage. MFIs could, therefore, remain sustainable and have the competitive advantage over their peers by developing HMF to serve an existing but new market, i.e. housing markets in DCs. The study takes the view that both Ruttan and Hayami (2011) and Lau et al. (2013) arguments when examine critically points to the fact that the introduction of HMF in the low-income housing market is as a result of some form of innovation.

4.2.1 Innovation in Microfinance and Housing Microfinance Operations

In recent times, the importance of offering new and innovative products across many new and existing markets is on the increase. For instance, Khin et al. (2010, p. 397 suggest that competing with "*new products with new features, new design, and new functions*" in many industries has the potential of increasing competition and performance, and also give innovative firms a competitive advantage over their peers. The above has led to a situation where competitive and innovative MFIs no longer keep offering similar or single products otherwise just to compete on traditional grounds such as price and quality. Another reason is that, for MFIs to gain a competitive advantage

over their competitors in the microfinance market, they differentiate the products they offer by innovation. Additionally, in demand and supply industries such as the microfinance industry, the difference between MFIs that innovate and those that do not is evident in their organisational performance (Davey and Powers, 2016). Whereas, in the opinion of (Troy, 2009) that innovation is about firm growth, (Teece, 2010) observed that it is about the company's business success. Hult et al. (2004) also argue it regarding the better performance of the company. This means that the introduction of HMF products within MFIs will enhance their growth, increase their business success and improve better performance in both product design and operations in their quest to increase profit.

The introduction of HMF products by MFIs has not only created a new market known as the HMF market but has also led to an improvement in microfinance products design and operations in DCs. In another perspective, productive innovation is not only important to commercial MFIs, the microfinance and housing markets, but also to the HMF users, i.e. the individual in the low-income group, and the economy of those countries in which their usage occurs. Furthermore, the importance of innovation in the microfinance industry is well acknowledged by many studies (Berger and Nakata, 2013; Sinha, 2015). However, continues studies on innovation are still necessary, especially for newly established firms and markets such as the HMF and housing markets. This is because there will be different indicators of the innovativeness of the various products that are involved in these markets. According to Bloch (2007), product innovation is the introduction of a goods or service that is new or significantly improved on its characteristics or intended use. In this regards, the introduction of HMF signifies an improvement in the traditional microcredit products which are meant for low-income groups to meet their housing needs. HMF could also be described as an example of an incremental innovation since it is an enhanced version of microcredits. This is because HMF can directly compete with existing microcredit products within the same organisation and be positioned in such a way that could attract both existing and new low-income groups' clients.

Regarding strategy, Porter (2002) observes that the principle behind any firm strategy is to select and perform some actions that are different from what and how the firm rivals do. An innovative strategy is therefore about a way of differentiating the way some MFIs offers microfinance products from others to achieve better organisational and

market performance. Whereas traditionally, the microfinance market is associated with financing microenterprises, mortgage finance characterised the housing market. Thus, the adoption of dynamic incentives and regular repayment schedules and methodologies in HMF are also innovative considering conventional lending philosophy in the housing market. This means that the adoption of HMF by MFIs to serve particularly the housing market is, therefore, an innovative idea and also a strategic alliance and partnership between the two markets.

Moreover, the common idea of lending to individual low-income groups through the poverty network lending principles has also attracted the attention of both economic theorists and policymakers with the interest of building programs around households' collective assets (Krenz et al., 2014). Group lending is, therefore, a departure of microfinance contracts from standard bank loan contracts. These arrangements provide incentives for people of like-minded as discussed in Section 3.2.3 of Chapter Three with similarities in culture, religion and incomes to group together. Ghatak (1999) therefore in his study demonstrates how such strategy could be influential in the improvement of repayment rates in microfinance. Additionally, the adoption of collateral alternative's mechanisms which help maintain high repayment rates among low-income groups is also another innovative idea in the delivery of HMF. There is a further discussion on collateral issues in Section 4.3.3 of the chapter.

4.3 The Concept of Motivation, Organizational behaviour and Microfinance Institutions' Intention

Motivation has become an important concept both in management and organisational studies from many different views. In the management perspective, motivation refers to the process of stimulating and sustaining the goal-oriented behaviours in an organisation by the anticipation of satisfying both individual and organisational needs within the organisation's environment (Šašinková, 2011). The motivation processes in this sense follow the identification of an unsatisfied need which leads to the creation of tension that drives the need to search for behaviours and solutions that can be used to satisfy the need and reduce those tensions. The unsatisfied low-income housing needs of low-income groups in many DCs have created some concerns among stakeholders, including MFIs to finding a suitable solution to satisfy these unmet needs. However, through these processes, new unsatisfied needs will obviously also be identified, and hence the

process of motivation keeps going in a cyclical form or as a system in the organisation and the environment in which the organisation found itself.

In contrast, motivation is one of the driving forces that lead to a better organisational performance in an organisation study context. It is defined in this context as the desire to achieve a goal or attain performance level, resulting in a goal-directed behaviour (Carpenter et al., 2009). Slocum and Hellriegel (2007) considered motivation to be the forces that act on or within an organisation that cause the organisation to behave in a specific, goal-directed manner. Schachter and Rich (2011) suggest that motivation is a driving force that is psychological in nature that compels or reinforces an action toward a desired goal. In this study, Motivation is a psychological feature that arouses an organism to act towards a desired goal and elicits control to sustain some certain goal-directed behaviour.

In the above definition, it is clear that the motives of MFIs as an organisation or an organism and their process can affect productivity and performance. Motivation is clearly necessary if MFIs' are to perform well and achieve organisational success, particularly in the housing market. It will take MFIs' ability which is the capacity and capability of them having the skills and knowledge about the housing market and products that are required to perform and achieve a targeted goal. Ability is one of the essential ingredients, making it a key determinant of MFIs' organisational effectiveness. Lastly, the MFIs environment within which they operate could also induce certain factors such as adequate information about the housing market to support them to perform well, and all the above could be critical determinants of their performance. In this sense, motivation is not the same as being a high performer, and therefore it cannot be the sole reason why MFIs perform well but will take the combined influence of motivating and other demotivating factors which exist internally and externally of the MFIs.

4.3.1 The Fundamentals of Motivation and Organisation Behaviour

Both employees and organisations draw their motivation from two sources. These sources are intrinsic and extrinsic motivations. Depending on the strength of any of these sources, the result of the combination of their effect can either be positive or negative for both employees and the organisation. Below is a further discussion on the sources of motivation regarding the organisation.

- **Intrinsic Motivation**

Intrinsic motivation has been defined by Dörnyei (2001) as something that galvanises and endures some activities through the spontaneous satisfaction that are characteristic in the operational and the volition of achievement. He is of the view that intrinsic motivation manifest itself in an organisation through its ability to explore the challenges or things that seek to make them often do what they do for some form of external reward. In the case of Paul and Dale (2013), they suggest that intrinsic motivation is that which engages an activity for its sake. MFIs that are intrinsically motivated will work hard on exploring new customers, markets and products because they will find them fulfilling and profitable. MFIs internal motivating factors may include managerial, financial, firm structure, business interest and strategy as well as the company available resources.

- **Extrinsic Motivation**

Schunk et al. (2012) in their study conclude that extrinsic motivation sometimes takes the form of financial rewards and are the real motivation accrued from doing something. It can take the form of external factors that attract the organisation in developing or identifying new customers and markets. These factors are known as extrinsic because their effect is external to the organisation environment. It means that some institutions outside the organisation regulate these factors (Kember, 2016). Arguably, the relevance of extrinsic motivation, particularly in the organisation and behavioural sciences is diminishing in this era of globalisation and technological advancement. This is because extrinsic motivation as suggested by Gravel et al. (2016) was very dominant in the earlier ages when work was more of a routine and bureaucratic. The external motivating factors that are likely to be associated with MFIs will have to do with funding issues, the political and economic environment, housing market and policies among others.

4.3.2 Organisational Motivation and Microfinance Institutions' Intention

Davey and Powers (2016) posit that motivation is one of the most important factors determining organisational efficiency. It is an indication that almost all organisational resources and facilities will get waste in the absence of a motivated organisation to utilise these resources effectively (Zoogah et al., 2015). Organisations and firms have various reasons or motivations for developing new products and for entering new markets. These reasons being them negative or positive could influence MFIs intentions and decisions either negatively or positively depending on their severities. Intention in

the context of organisational behaviour is the determination and strategy of an organisation to achieve or meet a certain specific goal or target within or outside the organisation. The reasons behind such intentions may be influenced by either negative or positive institutional policies and market factors or forces. These factors being them negative or positive could also be internal or external to the organisational environment. It will, therefore, take the organisational “will power” to focus on that purpose of satisfying or achieving that set goal or target.

To understand the motivations behind MFIs' intention on whether to enter the housing market, it is important to identify and analyse them from three perspectives of the MFIs and organisation behaviour context. Issues such as high risk in the delivery of HMF could influence MFIs intention not to enter the housing market. Such factors are conceptualised as demotivating factors pushing MFIs' away from the market regardless of whether they are internal or external to the organisation. The second perspective is to observe factors that could positively influence MFIs intention to enter the housing market. Such factors could also be called motivating factors in the sense that they are compelling forces or drivers of MFIs' intention. For instance, MFIs' appetite for growth, expansion and profit can be a major motivating factor behind their decision to explore new markets.

Lastly, the third perspective is neither negative nor positive factors that influence MFIs' intention. Such factors could serve as mediating or moderating of the effect of both negative and positive forces that affect MFIs intention. Trust in HMF delivery could either be a negative or positive factor which influences MFIs intention. In the next Section, these factors of MFIs' intention are identified and discussed under the three conceptualised perspectives stated above.

4.3.3 Demotivating Perspective of Microfinance Institutions' Intention not to enter the Housing Market

Some variables are likely to influence MFIs' intention and decision negatively not to engage in housing activities. They range from risk, tenure and security, collateralization among others. Below is a discussion on five of such factors.

- **Risk Related Variables**

The possible and perceived demotivating variables in the housing market that could contribute to MFIs' non-entry of such markets include the inherent risks. Risk is the likelihood of the actual returns on investment being lower than the expected returns. It could occur as a result of any of the followings: political, capital, default, economic and construction risks. Goldberg and Palladini (2010) identified and categorised risks into three main groups; financial, operational and strategic risks. They further suggest that risk could be internal or external in which the MFIs may have or not have control over. The financial risk in HMF delivery being its credit, market or liquidity risks involves low-income groups' inability or unwillingness to pay an HMF loan on time with the expected accrues interest (Ferguson, 2003).

In the Ghanaian situation, MFIs are likely to lose a significant value of their loans due to the high inflation and economic downturns currently being experienced in the country. There is also the possibility of HMF loans being lock-up which may result in MFIs folding up due to bad debts. Additionally, a perception of high cost of operating and borrowing for markets such as the housing market could as well induce some risks elements among MFIs. The major contributing variables to risk in HMF delivery in DCs include some macroeconomic variables such as high-interest rates on borrowing by MFIs, low per capita income of individual low-income groups, the sketchy land tenure and ownership systems, increasing rate of urbanisation and lack of adequate regulations and legislations on low-income housing development. The above are possible demotivating variables under risk that could deter potential MFIs from entering the housing market.

- **Land and Tenure Security Related Variables**

Security of tenure, particularly in the low-income housing market, is about the legal protection often accorded to low-income groups on the land they build their dwellings against any arbitrary increases in the ground rent, arbitrary eviction or repossession by land owners (Malpezzi, 2014). It involves low-income groups having the legal right to continue occupying the land or living in their buildings that they lease or rent from landowners (Nananom). Although, in Ghana, there are no false evictions, there are rampant cases of resale of land and delays in the disposal of land cases in the country judiciary system (Crook, 2004). This gives many MFIs a cause to worry because low-

income groups could easily lose their land or dwellings even after building on it to the upper class that can pay a higher price.

Other variables that affect low-income groups' security of tenure include the rapid rate of urbanisation which often leads to re-zoning of some of the areas occupied by the low-income groups, low income which contributes to the longer time that low-income groups used to build incrementally. It sometimes leads to violation of urban planning regulations which mandate a completion of the structure within a specified period. The cost and price of land and materials have also been observed as variables affecting low-income groups land and housing tenure in Ghana (Larbi et al., 2004). In addition to rare and high prices of land in the city centres, there are also other essential issues such as high cost and delay of licensing or issuing building permits (permits for the use of the space, location permits, and land certification), limited housing infrastructure support services such as facilities and utilities. Others include unreliable title documentation intensifies the risk of HMF lending. The above variables explain why some MFIs in Ghana often shy away from lending for housing activities or do so at a very high premium. They serve as demotivating variables to MFIs willingness to enter the housing market.

- **Collateralisation Related Variables**

Collateral normally take the form of an asset normally pledged by a borrower to a lender pending the repayment of a loan and in the event of a default the lender has the right to seize and either sell or use it to defray the loan (Aslam and Azmat, 2012). It is something usually pledged as security for the fulfilment of a promised which becomes forfeited in the event of a default. Principally, the personal borrower guarantee or the cash flow of a business or in the case of microfinance, part of the borrower savings are used to guarantee the loan (Hadi and Kamaluddin, 2015).

Aslam and Azmat (2012) identify group guarantees, personal guarantors, post-dated checks, promissory notes, gold, asset ownership documents, compulsory savings, asset leasing, livestock and sometimes some personal effects as possible and alternative collaterals that can be used by low-income groups to secure loans from MFIs. In Hadi and Kamaluddin (2015) view, collateralization has become necessary in HMF lending due to the high rate of loan delinquencies and the high risk involve in the incremental building activities of low-income groups. Collateral substitute in HMF delivery can

guarantee access to low-income housing finance by low-income groups. However, in the case of HMF, collateral inadequacies or insufficiency also serves as a setback to the success of HMF delivery in the low-income housing market. This is because low-income groups often lack the necessary guarantees regarding value to back HMF loans to meet their housing needs (Ferguson, 2003).

- **Interest Rate Related Variables**

In Baharumshah et al. (2005) view, the interest rate is an amount charged proportionally on loan to a borrower to pay for using money as a loan. In this regards, Dehejia et al. (2012) suggest that low-interest rate on HMF loans will encourage low-income groups to spend money on home building and improvement at the same time encourages financial institutions also to borrow from the financial market. In a study by Annim (2010) on loan sensitivity to lending rates in Ghana's microfinance sector, he observed that any changes in the interest on a microfinance loan would lead to variable responses in demand for loans in the country. Contrary to the above, it has also been reported that in Mexico, where interest rates were high, the market entrants and regulators encouraged and promoted competitions which ended up spurring innovation that brought out the best microfinance products at lower prices (Cull et al., 2014).

Furthermore, in 1992, BancoSOL was charging annual interest rates of over 65%, but when the competition became intense; they and other competitors start to charge interest rates between 18% and 22%, (Fernando, 2006). It, therefore, means that new entrants into the housing market will induce competition, which will intend lower interest rates on HMF products and make them affordable to low-income groups. However, on the part of Housing Microfinance Institutions, HMF portfolios will be less economical and unsustainable to deliver to the low-income housing market. Moreover, as the interest rates on lending in the country come down, HMF, in particular, will be very uneconomical to MFIs and unattractive to low-income groups. Therefore, interest rates being it low or high can serve as a demotivating factor to both MFIs and low-income groups.

- **Income levels Related Variables**

Case and Fair (2007, p. 54) suggest that "*income is the sum of all the wages, salaries, profits, interest payments, rents, and other forms of earnings*" over a stipulated period. It is the money earn on a regular basis through either on investment or work done.

Income is one of the most important determinants of housing. The low-income group segment incomes could be described as a vital factor of their housing because income determined the type and condition of housing a household can afford.

The income levels among low-income groups in many DCs including Ghana are low due to lack of sustainable employment couple with many factors that are as a result of macroeconomic distortions such as high-interest rates and depreciation of local currencies. Low incomes affect HMF delivery negatively as the repayment period is often extended (Smets, 2006). Low-income groups are sometimes unable to pay and often than not the loan lose its value (Daphnis and Ferguson, 2004). It can serve as demotivating on the part of MFIs because low-income groups incomes are low as compared to the cost of building a house in Ghana.

4.3.4 Motivating Perspective of Microfinance Institutions' Intention to enter the Housing Market

The motivating perspective on the variables likely to attract MFIs into the housing market in DCs includes an appetite for growth and profit, high desire for homeownership among low-income groups, ease of entry into the housing market, and the size of the housing market in DCs. Below are the explanations of these variables in details.

- **Appetite for Growth and Profit Related Variables**

The perceived significant motivating variables that are likely to attract MFIs to the housing market may obviously be the potential profitability of the housing market that could propel growth. Profitability is a sign of firm growth and hence MFIs that are desirous for growth will naturally seek for markets where they could make profits (Reno-Weber, 2008; Ledgewood, 2014). Accordingly, MFIs may consider engaging in housing activities if they perceived such activities as profitable and rewarding devoid of other barriers to entry. Profitability in housing according to Chepsiror (2013) is based on three essential attributes, namely; the building cost and the house and land prices. Thus, profitability is the outcome of the combination of the price of land and the associated building cost less the house price. The availability of local materials and cheap labour in Ghana may result in the delivery of HMF profitable, particularly to commercial MFIs.

- **Homeownership-Related Variables**

Homeownership is a means of building wealth and a build-up of an asset among many individual low-income groups in DCs (De Soto, 2001). Homeownership, also known as owner- occupancy is a type of housing tenure in which low-income groups own and occupies the house in which they live (De Soto, 2001; Doling and Ronald, 2010). It can take any form so far as it meets the housing needs of providing safe and decent environment fit for living. Homeownership plays a significant role in improving the quality of life of individual low-income groups and the economic empowerment of the local communities in which low-income groups live (Turner and Luea, 2009). The prospect of owning a house by low-income groups in many communities is a way of owning financial security (Apgar and Di Zhu, 2005).

Although, the income levels of many low-income groups in the country are low, a strong desire for owning an asset of their own is also very high. The above perspective presents an opportunity to MFIs who may consider this as an incentive and motivate to expand their operations in providing credit towards the housing activities of low-income groups. This will make non-profit seeking MFIs in particular to make a wider impact on the social and economic empowerment of low-income groups and the communities in which they operate.

- **Ease of Entry Related Variables**

Goolsbee and Syverson (2005) suggest that threat of entry into any market is an efficient deterrent to the exercise of market power. In this regard, market entry by MFIs must be “easy” and will be, if the market is profitable and large. Harris (2001, p.25) defines ease of entry as “*the measure of the likelihood of new competitor being able to generate satisfactory profit*” in a new market within the shortest term. Satisfactory profits will serve as a motivation for MFIs who are new entrants, and this will propel market growth as many will be motivated to enter the housing market. Easy of entry is, therefore, a function or a measure of market growth.

The low-income housing market in DCs offers the flexibility of entry as well as some amount of risks due to its unregulated nature. The aspect of ease of entry into any industry is very crucial because of the likelihood of new entrant organisation meeting both existing and new competitors in that industry. It has been argued that in markets such as the low-income housing market where there is ease of entry, the source of

competitive advantage can wane quickly (Zhang et al., 2011). However, MFIs will rather develop greater operational efficiencies due to the pressure of competition envisaged in the housing market. Moreover, the advent of rapid urbanisation in most DCs will make the source of competitive advantage of MFIs last longer.

- **The Size of the Housing Market Related Variables**

It is possible to say that in Ghana, the housing market is large enough to accommodate both traditional, universal banks and MFIs. A careful study of the AfDB (2011) findings in Figure 3.1 of Chapter Three clearly shows that about 61% of African individual low-income groups are below the \$4.00 a day income mark. Moreover, this segment of the market is where HMF can strive well. Such a situation serves as a motivation to MFIs which can be able to make great strides. Although, the larger the size of the market the larger the competitions among MFIs, it will, however, take those institutions which are innovative in both product development and delivery methodology to survive some of the intense competitions that may arise in future. The above motivating variables are non-exhaustive, and the next Section discusses the moderating variables in the housing market relating to Ghana.

4.3.5 The Moderating Perspective of Microfinance Institutions' Intention

Both demotivating and motivating variables alone will not be able to explain the complex organisational behaviours satisfactorily. Therefore, the intervening factor concept has been introduced into both organisation and migration theories (Boyle et al., 2014). In other words, MFIs may move into other markets due to the effects of some constraints or contextual variables even when they are under the influence of both demotivating and motivating variables (Zengyan et al., 2009). In this context, moderating variables are systematic, situational, and contextual variables that are concerned with policies, market, social, cultural as well as the general economic environment that will affect MFIs operations in the housing market. The issues of consideration under moderation are the availability of construction and technical assistance, the prevailing policy and regulatory environment, trust and social, cultural capital related issues. Below are the explanation of these variables.

- **Construction and Technical Assistance Related Variables**

Construction and technical assistance come in the form of housing designs, construction and technical skills where applicable in relation to land acquisition and ownerships.

MFIs that have been able to practice construction and technical assistance include the Payatas Scavengers' Association in the Philippines, SEWA Bank in India and Sinapi Aba Trust Saving and Loans Limited in Ghana (Tavanti, 2013; Lee, 2015). The availability, affordability and provision of construction and technical assistance with HMF could serve as a risk mitigation strategy for most MFIs in the housing market. It will then act as a moderating factor that could keep existing Housing Microfinance Institutions or attract new MFIs into the housing market.

- **Policy and Regulations Related Variables**

Policy and regulatory reforms in both housing and the financial sectors can play a vital role in increasing the supply of low-income housing finance, infrastructure and developable lands (Malpezzi, 2012). However, in the context of Ghana, zoning, taxes on building materials, rent controls laws, building right and standards are the obvious regulatory issues that may militate against the success of low-income housing programmes. These regulations are there but are either not up to date or do not offer a level playing field for both suppliers and consumers of housing and finance in the country. Some of these policies and regulations discriminate in favour of mortgage institutions and high-income earners than MFIs and low-income earners, especially in the urban centres. For instance, Ghana has a large private rental market which excuses government of any form of housing subsidies. Once rent control laws are ineffective, rentals are skew towards the ability to pay a group of urban dwellers.

Additionally, past housing policies in many DCs are usually geared towards market-based and large-scale development. It usually depicts a clear disconnect with the reality of the low-income and incremental housing construction process among low-income groups (Konadu-Agyemang, 2001). The whole sector development paradigm in housing policy implementation could produce a moderating effect on both demotivating and motivating variables in the housing market. MFIs' will, therefore, be able to secure funding for both expansion and scaling up of their HMF portfolios. Additionally, government economic and social policies could either limit or open up avenues in both microfinance and housing sectors through various means. One such means is through either stringent or flexible licensing requirements for MFIs, limiting or granting of free access to building materials, giving subsidies to both low-income groups and MFIs among others. The above therefore demonstrate that policies and regulations in the

housing market can produce an effect which is capable of moderating both negative and positive effects of the other variables in the housing market.

- **Trust Related Variables**

Trust is widely acknowledged as the foundation for any human interaction as well as business exchanges (Skarmeas and Robson, 2008). It is the willingness of a client or Housing Microfinance Institutions to depend on an exchange partner in whom one has confidence (Sriram, 2005). Trust in this context refers to the belief that a Housing Microfinance Institutions (the supplier) is motivated to act in the individual low-income groups (the client's) interest and will not act opportunistically if given a chance to do so. Trust is demonstrated when a customer of a Housing Microfinance Institutions belief that the Housing Microfinance Institutions is credible, trustworthy and benevolence. When a trust becomes a by-product of relationship efficiency in delivering HMF to the low-income groups' client, it will, in turn, foster low-income groups' commitment, satisfaction and effective communication within and among actors in the HMF delivery value chain.

Trust in an exchange venture such as delivering HMF will have a positive impact on satisfactory ratings in between Housing Microfinance Institutions and low-income groups' client (Barnes et al., 2001). When low-income groups believe that Housing Microfinance Institutions is trustworthy, they will be willing to share confidential information and support the growth of the relationship as a whole. The element of trust in the HMF delivery network will moderate any severity of negative and positive effects of the demotivating and motivating variables identified in the housing market in DCs.

- **Social, Cultural Capital-Related Variables**

Sander and Lowney (2006) define social capital as a mechanism that focuses on the social networks that exist between individual, community and nations. It means "who knows whom" and the character of those networks, the strength and the extent to which those networks can nurture trust and reciprocity among Housing Microfinance Institutions and low-income groups in the delivery of HMF. Social Capital also refers to the availability of both personal and business networks as resources. These resources in the case of Housing Microfinance Institutions include ideas, human capital, power and influence on the product, financial capital, goodwill, trust and cooperation (Baker and Faulkner, 2004). Housing Microfinance Institutions will need to find trusted and reliable

information and data concerning pricing, low-income groups housing choice and preference, their financial behaviour regarding timely repayment, logistics and how to scale up HMF. They may also use low-income groups' social networks and relationships to generate rich knowledge about the conduct of their low-income groups' clients, local suppliers, employees and other stakeholders within their community of operations.

Beside using motivation in organisational behaviour to conceptualise these variables, they are further analysed theoretically using the Push-Pull-Mooring theory of migration in Section 4.5. This is to better the understanding on how they interact in predicting the overall intention of MFIs behaviour towards the housing market in Ghana. These constructs and their variables as summarised in Table 4.1 and form the basis for the questionnaires design of the survey.

Table 4. 1: The Categories of Motivation and their related Measurement Indicator Variables influencing Microfinance Institution Intention

Categories of Motivations	Constructs relating to motivations	Code	Measurement Variable descriptions under the constructs	Sources
Demotivating factors	Risk	RSK	1 There is a perceived high fold-up rate among MFIs	Pantoja, 2002; Smets, 2006; Cain, 2007; Goldberg and Palladini, 2010
			2 Delivery HMF is very risky compare to other products	
			3 There is the possibility of capital lock-up in delivery HMF	
	Land and tenure	LST	4 High cost and price of land among LIGs	Larbi et al., 2004; Malpezzi, 2014
			5 Lack of security of tenure in urban centres	
			6 High cost and price of building materials	
	Collateralisation	COL	7 Lack of sufficient and adequate collaterals	Aslam and Azmat, 2012; Hadi and Kamaluddin, 2015
			8 Lack of collateral registry to regulate collaterals	
	Interest rates	IRR	9 High interest rates in most developing countries	Malkin, 2008; Cull et al., 2014; Thompson, 2015; Afrane et al., 2015; BOG, 2016
			10 Unequal interest charges on HMF products	
	Income and Funding	INC	11 Higher interest rate on HMF	Smets, 2006; Case and Fair, 2007
			12 Lack of sustainable funding sources	
			13 Low-income levels of LIGs	
Motivating factors	Appetite for profit	APP	14 Appetite to increase firm profit among MFIs	Reno-Weber, 2008; Chepsiror, 2013; Ledgewood, 2014
			15 Availability of local resources	
	Home ownership	HOM	16 High demand for low- income housing	Apgar and Di Zhu, 2005; Turner and Luea, 2009; Doling and Ronald, 2010
			17 Preference for homeownership than rental	
			18 Good policy towards homeownership	
	Ease of entry	EEN	19 Flexibility of entry	Harris, 2001; Zhang et al., 2001; Goolsbee and Syverson, 2005
			20 Flexibility in risk and knowledge sharing	
	Low-income housing market size	SLM	21 Potential size of the housing market	AfDB, 2011; Lall et al., 2012
			22 Housing market has unique features and products	
	Appetite for growth	AGF	23 Firms desire for expansion	Reno-Weber, 2008; Ledgewood, 2014; Domeher et al., 2016
			24 Housing market potential for MFIs growth	
			25 Market opportunity for leveraging resources	
Moderating factors	Construction and technical assistance	CTA	26 Availability of CTA providers	Tavanti, 2013; Lee, 2015
			27 Capacity and ability to afford CTA services	
			28 CTA is important in HMF delivery	
	Policies and regulations	P&R	29 Effective housing policy	Konadu-Agyemang, 2001; Malpezzi, 2012.
			30 Effective regulatory agencies	
			31 Sound economic policies	
	Trust	TRT	32 Clients trustworthiness	Skarmas and Robson, 2008; Barnes et al., 2001; Sriram, 2005; Epstein and Yuthas, 2011
			33 Trust in group membership	
			34 Low-income groups willingness to pay HMF loans	
	Social capital	SCC	35 Knowledge of client's social ties	Baker and Faulkner, 2004; Sander and Lowney, 2006
			36 Peer recommendations	
			37 Low-income groups have diverse collaterals	

Source: Author's construct.

4.4 The Migration Theory and the Push-Pull-Mooring Model on Microfinance Institutions' Intention

Migration in the opinion of Cresswell (2013) is a permanent or semi-permanent change of residence from a place of origin to a new destination regardless of time, distance and boundaries. Boyle et al. (2014) also suggest that it is a movement of a migrant between two places for a period. It means that the individual may move within (internal) or across (international) definite administrative frontiers. Many studies have also distinguished between temporary and permanent migration. Ullah (2012) for instance, suggests that temporary migration result where migrants move to other places for a period while retaining their original or both places forever. Migration is as a result of Push and Pull factors that compel migrants to migrate from one location to another to better their lives. The human migration theory recognised that both Push and Pull factors exist at both the place of origin and the place of destination. This study considered only the Push and Pull factors at the place of destination which is the housing market in a developing country context. Many Push and Pull factors can be identified in the housing market that could be modelled to predict MFIs' intention on whether to enter such markets. In this regard, MFIs can either enter the market as a temporary measure to mitigate certain situational risks in their core business environment of offering microfinance to micro enterprises. They could as well enter the housing market permanently depending on the motivation behind such decision or intention.

In recent times, many types of research have related the concept of migration to switching behavioural studies. For instance, Bansal et al. (2005) defined many types of migration and drew some correlations between migration concept and service providers switching with emphasis on voluntary and refugees' migrants' analogy. In this study, the voluntary migration variables are termed Pull factors in the housing market such as ease of entry among others that will attract both new and existing Housing Microfinance Institutions to switch or migrate into housing activities or continue with their core business activities while serving the housing market at the same time. The involuntary aspect of migration in this study refers to the Push factors at the housing market such as risks, collateral inadequacies and lack of funding. These Push factors in the intended market can compel both existing and new MFIs to decide not to enter such markets with existing or new products.

Ravenstein proposed the Push-Pull-Mooring foundational model of migration in 1885 who considers migration as a result of the interactions between the push effect of the original place and the pull effect of the destination (De Haas, 2010). According to the theory, push effects are negative factors (demotivating) that force people to move away from an original residence to another, such as unemployment, wars, loss of jobs, natural disasters and poverty (Hsieh et al., 2012). On the other hand, pull effects are positive factors (motivating) that attract potential migrants to a new destination, such as better employment opportunities, peaceful environment, higher incomes and better economic conditions (Chang et al., 2014). The underlying assumption of the theory is that negative factors at the origin push people away, while positive factors at the destination pull people toward them. The original place in this sense is the microfinance market, and the destination place is the housing market. These Push and Pull factors do not work in isolation. They work interdependently with their Mooring factors. The Mooring factors are equivalent to the moderating factors, and act to either encourage migration or to deter the potential migrants from leaving their home of origin. Although the Mooring factors in the migration literature are often identified as personal and social factors that impact on migrant's intention and decision as in Chang et al. (2014), this could be extended to include variables that have the potential of encouraging or deterring an individual's migration decision and intention.

Following Bansal et al. (2005) pioneering study on the application of the Push-Pull-Mooring model to consumer switching behaviour, the Push-Pull-Mooring theory *promises* to be a very useful theoretical framework in predicting firms or organisational products or markets switching intention and behaviour and other related social phenomena in business, finance and economics related disciplines. For example, Chang et al. (2014) applied it to understand factors that affect users' switching intentions in social networking sites known as cyber migration. Hou et al. (2009) employed it to explain the switching intentions of online gamers in gaming services. Ye and Potter (2011) adopted it to explain post-adoption switching of personal communication technologies. Fu (2011) examined IT professionals' commitment in the light of the Push-Pull-Mooring. Chiu et al. (2011) applied it to review the motivations of consumer switching in multichannel services, Hsieh et al. (2012) studied bloggers' post-adoption switching behaviour for online service substitutes by employing the Push-Pull-Mooring, and Zhang et al. (2012) adopted it to understand online blog service switching behaviour.

Despite the usefulness of the Push-Pull-Mooring model in demography and consumer switching behaviour literature, it has some limitations regarding variables captured and context. Moreover, those models in the above prior studies are examined within a limited setting of only two services. As a result, empirical research applying the concept in organisational behaviour and motivation context is conspicuously missing in the literature. This limitation serves as a starting point for a major contribution of the current study to theory development in both microfinance and housing market research. The next section explains the applicability of the proposed Push-Pull-Mooring model in the context of the present study.

4.5. The Proposed Push-Pull-Mooring Model for Evaluating Microfinance Institutions' Intention

The basic theory development around organisational motivation for MFIs intention to enter new markets can be classified under the push and pull factors by adopting prior studies such as Schjoedt and Shaver (2007) and Segal et al. (2005) in the context of entrepreneurship. Due to the Push-Pull-Mooring model strength regarding its empirical validity, comprehensiveness and contextual applicability, the framework promised to be an appropriate foundational model for understanding MFIs' intention in this study.

In this regard, the demotivating factors proposed in Table 4.1 are conceptualised as Push factors in the housing market which is the destination market. These factors will discourage or deter MFIs from entering the housing market. The motivation factors are also conceptualised as Pull factors that may influence and encourage an MFIs decision to engage in the housing market. The third aspect is the moderating factors which are also known as Mooring factors which will moderate the effects of both Push and Pull factors in MFIs' intention on whether to enter the housing market. Thus, the decision and intention of MFIs to develop and implement HMF programmes may be influenced by any of these three categories of motivations prevailing in the housing market, particularly in a developing country context. These factors collectively will either Push or Pull MFIs' towards or away from the housing market depending on their severity and other conditions. Figure 4.1 shows the proposed model and the explanation on its operationalisation.

4.5.1 The Push Factors for Microfinance Institutions' Intention

Since the demotivating factors are conceptualised as Push factors, it is convenient to describe them as factors that negatively affect MFIs' intention and decision not to enter

the housing market. In the proposed model, these perceived factors include risks, tenure and security, collateral, high-interest rates and low-income levels related factors. The above factors were conceptualised through the literature reviews in Chapter Two and three. For the purpose of inclusion in the proposed model, the researcher coded them as risks (RSK), land tenure and security (LST), collateralisation (COL), interest rates (IRR), incomes (INC) related factors.

4.5.2 The Pull Factors for Microfinance Institutions Intention

Alternatively, the Pull factors of motivation are those that draw firms to start a new business, new products or enter new markets. These factors can be the ease at which firms get access to such new markets, the existence of high demand for a particular product. Other factors are the profit-oriented motives and the size of the market to enable them to survive. Segal et al. (2005) suggest that in most cases, the Pull factors have been found to be more dominant than the Push factors in attracting new firms into new markets. The above is important because research has shown that business that starts or enter new markets due to Push motivation are less successful regarding profit and growth than those built upon Pull motivations (Amit and Muller, 1995). These factors were also coded as follows: the appetite for growth and profit (AGP), homeownership (HOM), ease of entry into the housing market (EEN) and the size of the housing market (SLM) related factors.

4.5.3 The Mooring Factors for Microfinance Institutions Intention

The factors of consideration under Mooring factors in the model are the availability of construction and technical assistance (CTA), the current policy and regulatory environment (P&R), trust (TRT) and social, cultural-capital (SCC) related factors. These factors are also included in the proposed model as shown below in Figure 4. 1.

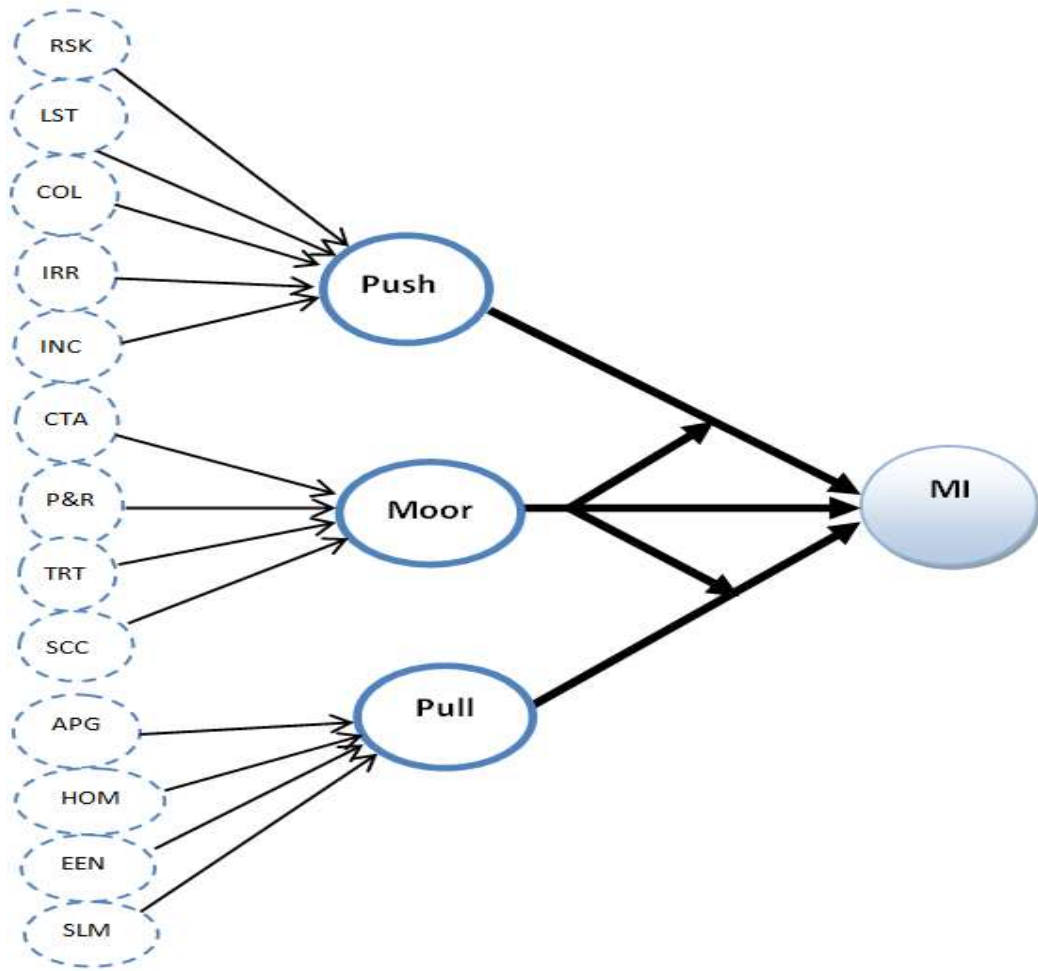


Figure 4. 1: A Proposed Push-Pull-Mooring Model for Microfinance Institutions' Intention. Source: Author's construct.

4.6 Chapter Summary

In conclusion, the Push-Pull-Mooring model has been used to explain directly and enhances the understanding of MFIs' intention to enter the housing market. Thus, the Push or Demotivating, Pull or Motivating and Mooring or Moderating factors are identified and are connected directly to MFIs' intention (MI). The combine interactions and effects of these three categories of motivation will comprehensively predict and explain MFIs intention or readiness on whether to enter the housing market in Ghana. The Chapter also offers an explanation of the definitions, meaning and effects of these factors and their variables. In the next Chapter, which is Chapter Five, the research methodology used in the study is discussed and justified.

RESEARCH METHODOLOGY

5.1 Introduction

This covers the various aspects of the research process from the justification of the choice of research methodology and strategies adopted. The chapter is in seven interrelated sections. The research paradigms and methodology are explained in section two. Section three also describes the research design approaches with emphasis on the pragmatic paradigm and mixed method used in the study. Section four also described and justified the use of qualitative research approach in this study, and offered specific explanations on the interviews and FGDs techniques in details. The sample population of respondents, as well as the description of the sample selection process, are also explained.

In section five, the quantitative research approach and the instrument used for the data collection are discussed. It also describes the statistical analysis method used and explains the appropriateness of using FA and PLS-SEM as the main analytical techniques used to analysed the proposed model. Section six also illustrates the assumptions and ethical issues that were observed to guide the interpretation of the results obtained in subsequent chapters of the study. Section seven summarises the key points of the chapter.

5.2 Research and Paradigms

In the opinion of Christensen et al. (2011), research paradigm is about perceptions based on a set of shared assumptions, values, concepts and practices. They normally focus on the 'what' and 'how' of the research question (Creswell, 2013). This study takes the view that; research paradigm is a combination of two or more ideas, concepts that are related to the nature of the problem and the function of the researcher in seeking alternative strategies towards the resolution of that problem. Many studies have identified three categories of research paradigms that drive the epistemology philosophy principles in research. These are positivism Saunders (2009), interpretivism Christensen et al. (2011) and pragmatism paradigms Tashakkori and Creswell (2007). However, the pragmatic paradigm is discussed based on its inherent advantages in combining both positivism and interpretivism research paradigms.

The pragmatic paradigm applies all possible approaches to understanding the problem and is regarded in principle as a bed mate of mixed research methodology (Denscombe,

2014). This paradigm, therefore, forms the basis for using mixed method approach as an alternative to researchers who decide that neither quantitative nor qualitative research alone will provide adequate findings to their research such as the current study under consideration.

5.3 Research Design Approach

A research plan was established to guide the research approach on how to expand new knowledge concerning the concept of HMF supply and demand in Ghana. This section demonstrates how the written (rhetoric) about how claims and processes for studying methodology are made. Creswell's (2013) idea of explaining the interface between strategies of inquiry, and the specific method is adopted and presented in the form of a framework to highlight the various research designs in Figure 5.1 below. This shows the three research approaches with their varying views on the strategies of enquiry and the possible research methods appropriate in each case. Below are the explanations to these perspectives regarding their advantages and disadvantages.

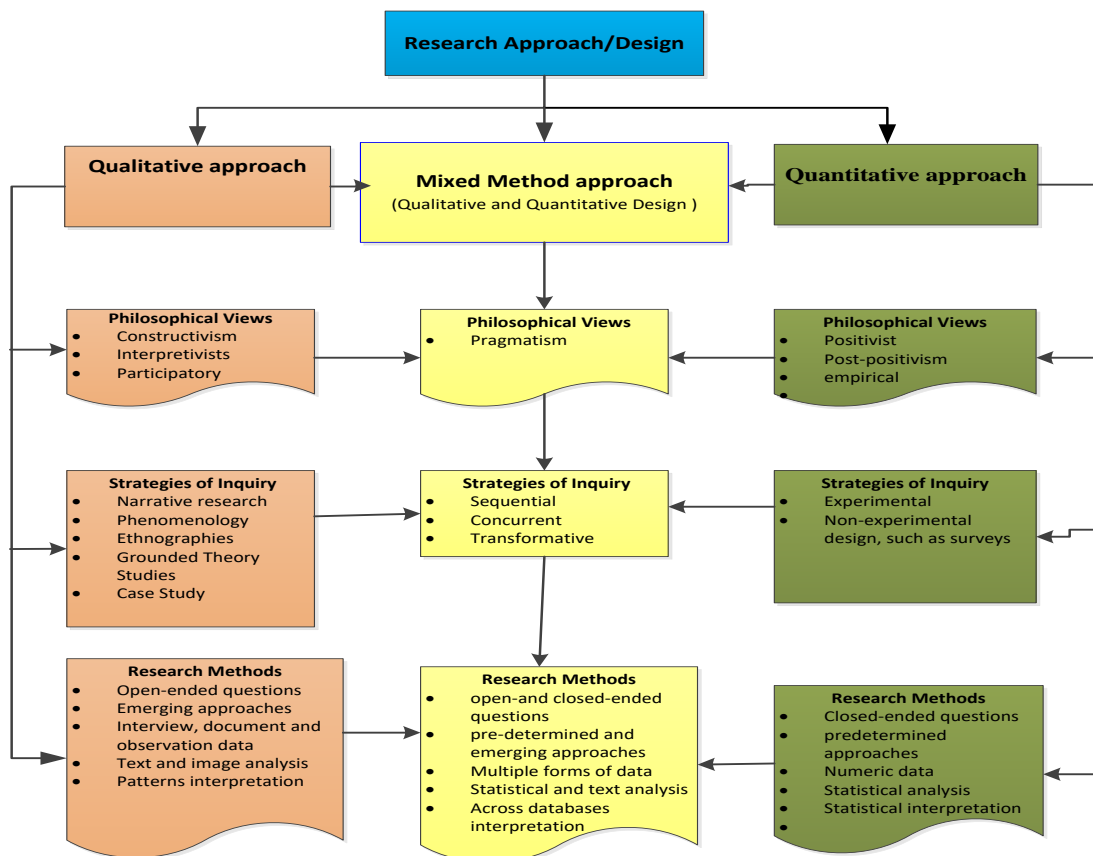


Figure 5. 1: The Research Design Process. Source: Adopted and adapted from Awodele (2012) and Creswell (2013).

5.3.1 Qualitative Research Approach

Researchers under the qualitative strand of research approach usually adopt the interpretivists, constructivist and participatory perspectives in their course of investigations. Creswell (2013) state that constructionists hold the assumption that individuals seek understanding of the world in which they live, work and experienced. He, therefore, identified five strategies of enquiry that qualitative research approach can be used to investigate. These are (i) ethnography, (ii) grounded theory, (iii) case studies, (iv) phenomenological research and (v) narrative research. The sampling method usually adopted in qualitative research is purposeful rather than random. The best type of questions is the open-ended questions which enable participants to express their opinions and views. The data collection method often used involves interviews, observations, document and audio-visualising of the data. The text and image analysis are usually used and interpreted by using themes and patterns. Castro et al. (2010) suggest that this approach has a good accuracy in operationalising and quantifying the precise constructs. However, Johnson et al. (2007) are also of the view that this method has the inherent limitation of the difficulties in making quantitative extrapolations. Nonetheless, the advent of computer aided software's such as Nvivo has rendered (Johnson et al., 2007) claims of less importance.

5.3.2 Quantitative Research Approach

Quantitative research in the opinion of Creswell (2013) involves the analysis of objective concepts or theories through the examination of the association between various variables. Bryman and Bell (2015) also suggest that quantitative research approach often uses real data to establish the correlation between facts and their relationship to existing theories and previous studies. Researchers who adopt this method of investigation do this under positivists, post-positivist and empirical perspectives (Creswell, 2013). Castrol et al. (2010, p. 343) felt quantitative research approach can produce a comprehensive account of human knowledge and experiences. Creswell (2013) adds that in recent times, this approach has evolved to include elaborate structural equation models that combine causal paths and the identification of the collective strength of multiple variables. The best and suitable type of questions to ask in this type of research approach is the closed-ended type of questions. In conclusion, the above method is suitable when undertaken confirmatory, explanatory or hypothesis-testing research. However, Castrol et al. (2010) contrast this view on the basis that the method has the limitation of not being able to produce reliable conclusions.

5.3.3 Mixed Method Approach

This section explains the research method used for the study. The appropriate approach considered was the mixed method due to the combination of both qualitative and quantitative research approaches. Johnson et al. (2007) report that mixed method is a third force in the research methodological debates alongside, both qualitative and quantitative approaches which all coexist (Creswell et al., 2013). A combination of qualitative and quantitative approaches often provides more comprehensive findings than one approach alone (Tashakkori and Creswell, 2007). This study combined quantitative surveys of MFIs with qualitative key informant interviews and FGDs to expand the understanding of the supply and demand perspectives of HMF which has led to some interesting findings and ideas as presented in Chapter Six, Seven and Eight.

5.3.4 The Choice and Reasons for Adopting a Mixed Method Approach

There are many reasons behind the decision to use both qualitative and quantitative approaches in this study. Aside the many reasons why researchers engage in multiple research methods is that new ideas do emerge during the investigation process (Bryman, 2015). Figure 5.2 shows a flow diagram of the research design process based on (Clark and Creswell, 2011). The decision to used both qualitative and quantitative approaches were informed based on the nature of the research questions and the aim and significance of the study. The succeeding subsections explain some of the reasons in detail.

- **Nature of the Research Problem**

The research questions in Chapter one shows a combination of “what” and “how” questions. The study, therefore, set out to provide answers to the following research questions as follows:

- What are the motivations behind MFIs’ intention on whether to enter the housing market?
- What are the motivations behind individual in low-income groups’ decision on whether to use HMF to meet their housing needs?
- What are the barriers and constraints in the supply and demand of HMF?
- What are the possible risks associated with the provision and use of HMF? and
- How successful is HMF in meeting the housing needs of low-income groups?

The first four questions are more of exploratory questions seeking to establish the demotivating and motivating factors, the barriers and risks in the supply and demand of HMF in Ghana. These types of research questions, in the view of Yin (2009), provide a justification for conducting an exploratory study with the aim of developing propositions for further enquiry. More importantly, Creswell (2013) suggests that in most social science research problems in which there are the need to identify factors that influence an outcome, the quantitative approach of research enquiry is the most appropriate method to use. However, Morse et al. (2002) on the other hand also points out that if the concept under study needs further and better understanding due to little prior research on it, then, qualitative research method is more appropriate.

Additionally, a qualitative approach is appropriate where the topic under study is new or has not been investigated using a certain sample size group or if existing theories and models have not been applied to that topic or sample under study (Creswell, 2013). From the literature review in Chapter Two, Three and Four, it is evident that the concept of HMF supply and demand is a new concept in the housing markets of many DCs and particularly in Ghana. The idea of exploring MFIs' intention to enter the housing market is also less researched. This is especially in the low-income housing market where little studies are available on the demotivating and motivating, barriers and risks factors that influence the outcome of HMF delivery. Adopting either a qualitative or quantitative approach may not generate a better understanding of these factors. Both qualitative and quantitative approaches were therefore mixed concurrently, as combining them helped annexed the strength of both approaches which ensure a better understanding.

The last question also aims at exploring the success factors of HMF in meeting the housing needs of individual low-income groups to provide policy recommendations for mitigating the identified barriers and risks factors. This is an exploratory type of question which will lead to the use of interviews and therefore justify the utilisation of the mixed method. It also resulted in the use of triangulation which makes the choice in this study consistent with the assertion of many researchers who are strongly in support of research method triangulation (Yin, 2009; Clark and Creswell, 2011).

- **Significance of the Study**

A study of this nature requires conscientiousness, commitment to making the outcome more reliable. This has informed the decision of using a mixed method approach since it

has been seen as the most useful approach when there is the need for a more complementary, comprehensive and multiplicity of ideas and opinions which can lead to the dependability and legitimacy of the study.

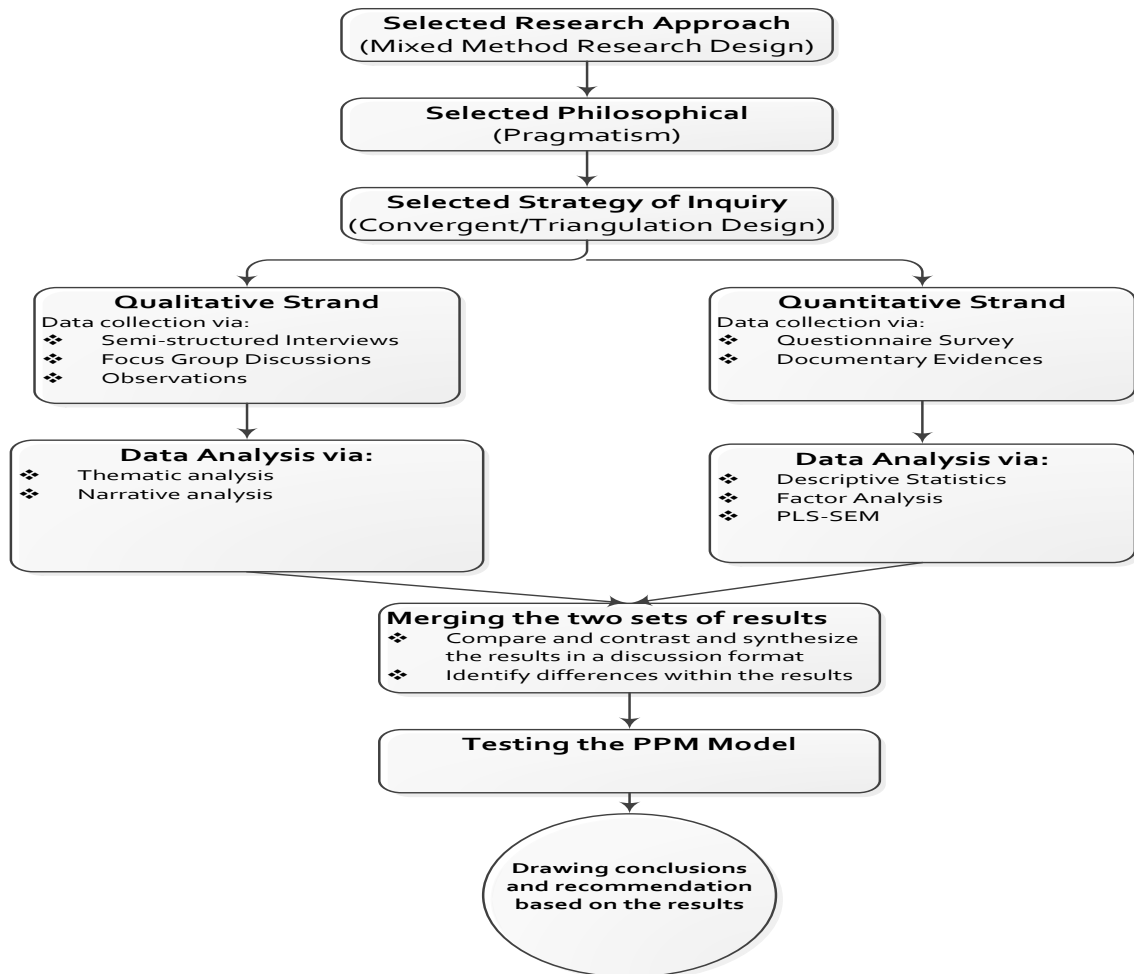


Figure 5. 2: A Flow Diagram of the Research Design and Processes. Source: Clark and Creswell, (2011).

5.4 The Qualitative Research Approach Adopted

As indicated in Figure 5.2, the data collection strategies employed under the qualitative approach was semi-structured interviews, FGDs sessions and field trip observations in both Ashanti and Greater Accra regions.

5.4.1 Interviews

Interviews in the views of Willis et al. (2007) and Hesse-Biber and Leavy (2011) are conversations between a researcher (interviewer) and an interviewee (respondent) that involve asking questions and listening by the interviewer. Opdenakker (2006) is of the opinion that there has been a common use of interview approaches in recent time due to its flexibility in choosing between structured and open-ended interviews. In line with

these arguments, a standardised open-ended interview instrument was developed and used in the study to enable and allow all interviewees the freedom to answer the same questions.

The sampling procedure used was non-probability sampling, which most qualitative research use (Teddlie and Yu, 2007). This is in line with the recommendation that the logic of sampling in a qualitative study must be different from statistical sampling since the idea is to select cases that are replicable (Meyer, 2001). The institutions in this study were Housing Microfinance Institutions chosen for the interview based on the researcher's knowledge of the appropriateness and representativeness of the sample. Three Housing Microfinance Institutions participated in the interviews. This was in agreement with the assertion that 2 or 3 cases could be the basis for factual repetition in a qualitative study (Yin, 2009).

The target respondents from the firms were top management's members who were willing to participate in the study after an initial telephone and email contact with their head offices. These managers were responsible for developing, managing, promoting and implementing HMF portfolios in their respective firms. Although there were variations in their work titles, all the respondents were responsible for driving forward the agenda relating to HMF delivery in their firms.

The first interview took place on 26th October 2014 with Sinapi Aba Trust Savings and Loans Company in Kumasi which lasted for 1 hour, 30 minutes and was digitally audio recorded and notes taken. The second interview with Opportunity International Savings and Loans Company Limited took place on the 29th October 2014 under the same criteria as above in the interviewee's office. This session as well lasted for 1 hour and 25 minutes. The final interview session with HFC Bofo Microfinance Company Limited also took place on the 30th October 2014 at the interviewee's office in Accra. It also lasted for 1 hour 20 minutes. In all, a total of three managers of Housing Microfinance Institutions participated in the interviews. The researcher sought permission from all interviewees before recording the conversations. Below is a summary of the profile of respondents in Table 5.1.

Table 5. 1: Profile of Housing Microfinance Managers interviewed

Location	Gender	Participant Job Title	Type of firm or organization	Code-named
Kumasi	Male	Housing Loans Project Manager	Savings and loans company	C1
Accra	Female	Marketing Manageress	Savings and loans company	C2
Accra	Male	Project Manager	A subsidiary of a Commercial bank	C3

Source: Field Survey, 2014.

5.4.2 Focus Group Discussions

FGDs are a form of interview session involving several people on a specific topic. It is a data collection method use to source data through structured group interview process moderated by a facilitator on a specific theme of interest to both the group and the facilitator. FGDs is a qualitative research method that has been used to demonstrate and has proved to be an efficient way of producing a rich understanding of individual beliefs and attitudes on a specific subject (Krueger and Casey, 2014). Stewart et al. (2014) suggest that FGDs can be used to solicit information from a diverse group of people from different background. However, one of the major pitfalls of FGDs is that it is not useful for amateur researchers. This is because if the discussion sessions are not well moderated by a competent facilitator, there could be a waste of time and money.

It was necessary to follow a standardised with a good number of focus groups and participants per group for stratification purposes and also to ensure homogeneity. In this regard, the level of involvement of the facilitator received consideration during the design of the FGDs. The grounds upon which FGDs is necessary are: to explore new research area such as the subject of HMF; to ascertain the perspectives and experience of people on a topic, particularly when such people who might have otherwise been disregarded such as the low-income groups in DCs concerning their housing needs. Before participating in their focus groups, participants answered a screening question by checking “Yes” or “No” regarding their use of HMF products of any kind (see Appendix 12). Participants were also asked to sign consent of participation form (see Appendix 13). The aim was to make the groups as homogeneous as possible on the use of HMF products that involves HMF users and non-HMF users.

The heads of households who has already benefitted from HMF loans and those with the intention of using HMF loan probably for the first time took part in the FGDs. The

participants were selected based on the notion that they were best placed to give their experience and expectation from MFIs on the potential benefits of HMF. They were recruited using both key informant and spur-of-the-moment recruitment approaches of participant selection. Whereas the majority of participants 58% (n=21) were recruited through Housing Microfinance Institutions assistance, the rest 42% (n=15) was recruited through their friends who by word of mouth voluntarily decided to participate. This is consistent with Peek and Fothergill (2009) who suggest that in both key format and spur-of-the-moment recruitment approaches, stakeholder organisations assist in the recruitment while other participants voluntarily participate having heard about it from others.

In line with the objectives of the study, six focus groups consisting of 36 participants, of which 41.7% (n=15) were HMF users' and 58.3% (n=21) were non-HMF users'. Most participants were men 86.1% (n=31), with 13.9% (n=5) being women. The group's members' ages range from 29 to 61 years. In all, a total of 58.3% (n= 21) of the participants were in full-time employment in the public sector while 41.7% (n=15) were self-employed in the informal sector. One participant was a retired educationist who had used HMF products to meet his housing needs in the past. The details of the analysed FGDs composition are presented in Table 5.2 as well as some of the pictures shown in Appendix 2. Each session lasted for nearly 1 hour and twenty minutes. The researcher led all discussion sessions using the pre-prepared discussion guide (see Appendix 16). The FGDs etiquette involved several themes which include the general biographic data of the participants among others. These were also digitally audiotaped. The researcher field notebook was used to record comments and take notes as shown in Appendix 22.

Table 5. 2: Focus Groups Composition

Group Nr	Location	Group Code	Gender		Group Size	HMF Users and Non- HMF Users	Ages	Employment Status
			Males	Females				
1	Kumasi	K1	6	0	6	All Users	29,48,49,52,54,58	6=Full time employed
2	Kumasi	K2	6	0	6	1= User, 5= Non-Users	29,31,37,50,55,61	3= Full time employed 2= Self employed 1= Retired educationist
3	Kumasi	K3	4	2	6	All Non-Users	30,34,42, 45,46,42	2= Full time employed 4= Self employed
4	Accra	A1	6	1	6	All Users	29,33,37,38,42,52	6= Self employed
5	Accra	A2	5	1	6	2= Users, 4= Non-Users	31,37,45,47,47, 49	4= Full time employed 2= Self employed
6	Accra	A3	4	1	6	All Non-Users	33,39,39,40,44, 49	5= Full time employed 1= Self employed
Total		6	31	5	36	15=HMF Users, 21= Non-HMF Users	36	20= Full time employed 15= Self employed 1= Retired educationist

Source: Field Survey, 2014.

5.5.3 Observation

Five HMF beneficiaries project sites were also studied using observation data gathering techniques. This was a direct means of understanding the housing conditions of beneficiaries which may have an impact on their low-income housing delivery process. Some of the pictures of the site observations are shown in Appendix 4.

5.4.4 The Qualitative Data Analysis

As explained in previous sections, both interviews and FGDs data were analysed by adopting a four step approach. Although Creswell (2013) suggest six-step approaches, the use of Nvivo 10 helped shortened the steps from six to four. These steps are explained below.

- **Familiarisation with the Data**

The first step adopted was to get familiar with the recorded interviews and FGDs data. This was achieved by listening to each of the recorded data over and over again. The important and key points made by respondents and participants were noted. The familiarisation process led to the transcription of the data into a textual form (see Appendix 19). Although this process was time-consuming, in Silverman (2010) view, the detail and verbatim transcripts help the researcher to decide whether to transcribe all the interviews and FGDs recorded. Two of the interviewees were later contacted through an email (see Appendix 17) and the other through a phone call to clarify and confirm some key points that were not clear from their submissions.

- **Organisation of the Data Set**

The transcribed data was further structured into an appropriate structure of subdirectories, rearranging text into the appropriate themes and questions that were asked using the various code names of who said what and under what themes (see Appendix 21). The data set was uploaded into Nvivo 10 software for further analysis. Nvivo is a useful computer software use in the facilitation of analysis of qualitative data transcripts. It allows researchers to annotate, code text, search for keywords and easily organise text into logical and coherent manner (Creswell, 2013). This software helped in the management of the data after the researcher had undergone a personal training in Nvivo through the Heriot-Watt student development courses run by the school with the recommendation and approval of the study supervisory team.

- **Acquaintance with the Data**

Notwithstanding the process of familiarisation, the data was thoroughly read through adopting a structured reading strategy. It involves annotating some texts as major themes and any other thing of interest. At this stage, reflections were brought to bear on the main themes relating to the facts, the processes of designing HMF products, views and experiences of respondents on HMF supply and demand as well as the influential barriers and risks factors in HMF delivery. These themes being them demotivating or motivating to the provision and demand of HMF in the country were considered significant in the coding process. Participant's general feelings and tone as expressed were noted and highlighted for further study.

- **Clarifications, Codification and Interpretation of the Data**

This stage focuses on reorganising the structure of the data set into a structure suitable for reporting during the writing up (Rowley, 2012). Prefigured themes based on the interviews and FGDs questions were crystallised and coded into nodes in the Nvivo software under the segmented themes of demotivating, motivating, moderating, barriers and risks factors. These generated themes became the major headlines of the findings of the study. The main code nodes in the Nvivo were kept as minimal as recommended by Rowley (2012) since there were the possibilities of having sub-themes under each of them.

The last stage is the interpretation of the data. This is an important process of developing deeper meaning from the Nvivo coded data. To ensure there is no bias in the data interpretation, other fellow PhD researchers in the office were asked to check the classification and coding. It is important to note that some themes emerged as facts while others were very subjective that merit further research. The narrative analysis techniques were used to convey the broad findings through in-depth discussions and commentary as can be seen in Chapter Six and Seven of the study. The discussions took the form of interconnecting the related ideas and themes within the findings in a chronological manner. These results were further compared with prior studies to identify the areas of contribution and the novelty of the study. Below is the flow chart involving the process of the qualitative research strand of the study in Figure 5.3.

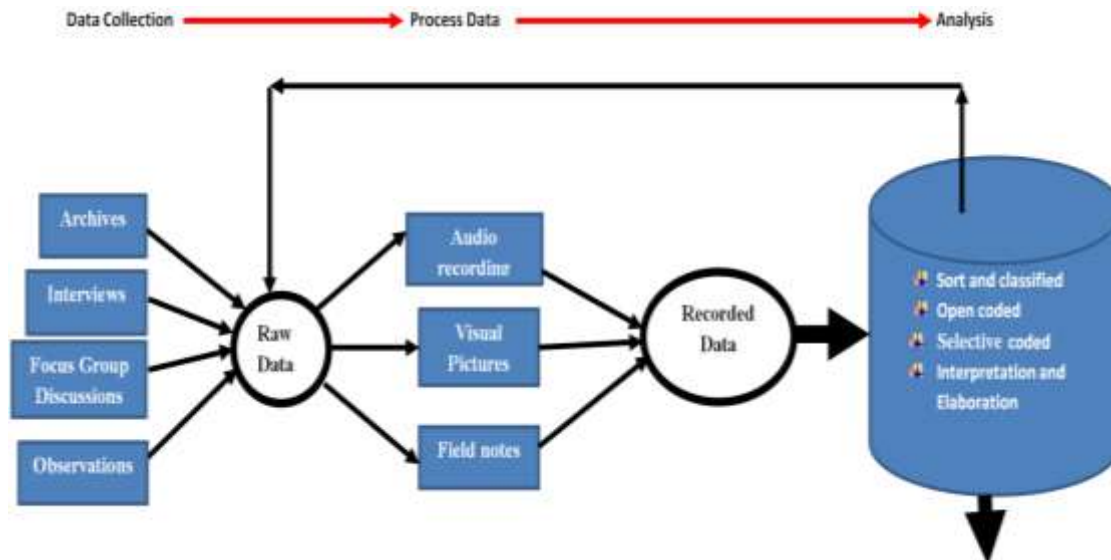


Figure 5. 3: A Flow Chart of the Qualitative Research Process. Source: Author's construct.

5.4.5 Construct Internal and External Validity

Awodele (2012) suggests that the internal and external validity of research is about whether the study findings can be generalised beyond the immediate study environment. Yin (2009) also suggests multiple sources of evidence as a viable means of ensuring that both internal and external validity of the findings are achieved. Yin (2009) further states that documentations, archival records, interviews, direct observations, participant observation, and physical artefacts are the various multiple sources of evidence. In this regard, out of these sources of evidence, interviews, documentary evidence, archival records, FGDs and direct observation by the researcher were used in this study. The study achieved the external validity since having selected the various institutions and participants for the study, the development and replication of the findings is in line with (Yin, 2009) recommendations.

5.4.6 Reliability and Validity Test

Chioncel et al. (2003), points out that reliability test in qualitative research refers primarily to the data and the method used, while validity refers mainly to the interpretation given to the results of the study. Bailey (2008) also argues that the reliability and validity of both qualitative and quantitative research lie in their ability to be accurate and be replicated. In this regard, the worth and capacity of respondents and participants for both interviews and FGDs in the study are not in doubt which gives credence and reliability of the information that was supplied by them. This was as a result of the fact that all the interviewees were managers in their respective institutions, and the FGDs participants were the heads of their families. It means the information

provided by these respondents might be the same wherever and whenever other interviews and FGDs are carried out among them as suggested by (Chioncel et al., 2003). The recommended guidelines by Bailey (2008) guide the recording and transcribing of both interviews and FGDs data. The study achieved the validity of respondents and participants' decisions as there are not many divergent views expressed among them.

5.5 The Quantitative Research Approach Adopted

In this section, the procedure that was followed to realise the quantitative constituent of the research data is discussed including the processes of data collection, data analysis and interpretation.

5.5.1 Survey Data Collection

The study used a questionnaires survey research strategy and to predict the numeric trend and opinion of the population by studying a sample of MFIs in two regions. Survey research enables researchers to obtain data concerning certain practices, situations or views at one point in time through questionnaires (Barribeau et al., 2005). Table 5.3 shows the strengths and weakness of survey research strategy. According to Amaratunga et al. (2002), a questionnaire survey is one of the most widely used techniques by social science researchers to solicit for primary data.

Table 5. 3: Strengths and Weaknesses of Survey Research Strategy

Strengths:		Weaknesses:
Survey research strategy	<ul style="list-style-type: none"> • Self-administered surveys are reasonably inexpensive. • Can be administered from remote locations using mail, email or telephone. • Many questions can be asked on a concept which gives flexibility in the analysis. • It offers flexibility in the option of questions administration, such as face-to-face interviews, by telephone, as group administered written or oral survey, or by electronic means. • Standardization ensures high reliability that makes similar data to be collected from groups which can be interpreted comparatively. 	<ul style="list-style-type: none"> • Standardization compels researchers to develop questions that meet certain criteria to be appropriate for all respondents. • Inflexible in the sense that the survey instruments require being unchanged after the initial design throughout the data collection. • Researchers need a large number of the selected sample responses in order to generalisation the research.

Source: Amaratunga et al., (2002) and Barribeau et al., (2005).

• Design and Content of the Survey Questionnaire

Closed-ended questions were employed although they have the tendency of limiting respondents' answers to the survey. Respondents were allowed to choose from either a

multiple of a pre-existing set of dichotomous answers, such as Yes / No, and a multiple choice with an option for ranking their responses in a scaled response using the Likert scale. The Likert scale is considered one of the most commonly used ranking scales (Park et al., 2014). The rating scale section of the instrument require respondents to strongly disagree, disagree, neutral, agree or strongly agree with a statement that deals with the concepts or variables. The questionnaire items also contained a section for demographic variables (gender, age, education, and firm's source of finance) and the details of these data are presented in Table 5.6 and 5.7. The design of the questionnaires was base on the variables measurement descriptions presented in Table 4.1 of Chapter Four.

- **The Sampling Procedure and Technique**

It was impossible to sample the entire population of MFIs in Ghana for the study due to time and financial constraints. Snowball sampling was used to identify respondents from a population in which a “standard” sampling approach will be difficult and uneconomic. Using this method, easy to reach MFIs were approached to participate.

- **Population and Sampling Size**

The population for the study was about 2,234 MFIs comprising Savings and Loans Companies, Apex Rural Banks and registered microfinance companies spread across the country with a sample size of 383. A sample consists of a small portion of a population that is being observed for the purpose of making interpretation of the implications (Saunders et al., 2009). The breakdown of the sample distribution among the two regions is presented in Table 5.4. The targeted number of institutions was 250 out of the sample of 383 MFIs operating in the two regions.

Table 5. 4: The Sample Targeted for the Study

Region	Sample targeted
Greater Accra	155
Ashanti	95
Total	250

Source: Field Survey, 2014.

- **Questionnaire Administration**

There were some options available to the researcher in finding the relevant sample group amongst the survey population as well as other considerations involving the administration of the survey instruments. The type of research survey adopted was the drop-off type. This was as a result of its ability to allow respondents to answer and participate in the survey at their convenience. This ensures a better rate of response. The administration of the instruments was by personal contact after booking appointments with the appropriate persons or institutions. Officers who have a direct bearing on microfinance portfolios in the various selected MFIs answered the pre-written questions. The respondent's office locations and directions obtained through telephone contact before sending the survey instruments out helped increase the response rate.

Two months were used to distribute the survey questionnaire and another two months used for the collection. Although it took some considerable amount of time to administer, it was the best method for the small sample size for the study. A letter of introduction explaining the rationale of the study in each envelope boost the rate of response (see Appendix 11). Included in the envelope of the questionnaire were also incentive packages such as flyers and souvenirs of Heriot-Watt University as a motivation to answer the survey questionnaire.

Follow-up telephone calls made to participating institutions as an additional encouragement to respond helped improved the response rate as shown in Table 5.5. These results can be considered as good since prior studies suggest that variations in the nonresponse rate do not necessarily change or affect survey (Merkle and Edelman, 2002). Out of a targeted number of 250 MFIs, the researcher was able to distribute 200 questionnaires from which 68% (n=135) completed questionnaires were returned. However, about 7% (n=10) of the returned questionnaires were unusable due to errors, inconsistencies or incompleteness. Accordingly, 93% (n=125) responses were suitable as shown in Table 5.5 and were entered and analysed using SPSS version 22.

Table 5. 5: Questionnaire Distribution within the Study Regions

Distribution within regions	Number distributed	Percentage (%)	Nr Collected	Percentage (%)	Nr found suitable for analysis	Percentage(%)
GAR	120	60.00	80	59.30	74	59.20
AR	80	40.00	55	40.70	51	40.80
Total	200	100.00	135	100.00	125	100.00

Source: Field Survey, 2014.

• Biographical Data of Respondents

Four variables are used to describe the respondents' biographical characteristics. These are their gender, age, monthly income and educational qualifications. Regarding gender, 72% (n=90) of the respondents were males and 28% (n=35) were females. Regarding age, 29% (n=36) were between the ages of 26-31 years, 34% (n=43) were between 32-36 years and 2% (n=2) were over 51 years. Concerning income, none of the respondents earned a monthly income less than Gh¢ 100.00 with 4% (n=5) earning above Gh¢ 5,000.00. Moreover, 39% (n=49) earned between Gh¢ 501-1,000.00 and 26% (n=32) earned between Gh¢ 1001-2,000.00. Furthermore, all the respondents were educated to some level with 2% (n=3) having SSCE/WASSCE. Whereas, 24% (n=30) had Diploma/Higher National Diploma, 42% (n=53) had bachelor degree qualifications. Additionally, 26% (n=32) had master's degree, 3% (n=4) had PhD and 2% (n= 3) had other form of qualifications. Although the various educational disciplines of respondents were not known, it is believed that having a first degree's qualification in the financial sector could be the minimum requirement to be able to manage effectively. The capacity of MFIs regarding their management capabilities should not be a challenge. Table 5.6 shows the breakdown of the biographical data of the respondents

Table 5. 6: Biographical Data of Respondents

S/N	Variables	Categories	Frequency	Percentage
1	Gender	Male	90	72.00
		Female	35	28.00
		Total	125	100.00
2	Age	18 - 25 years	13	10.40
		26 - 31 years	36	28.80
		32 - 36 years	43	34.40
		37 - 41 years	22	17.60
		42 - 50 years	9	7.20
		Over 51 years	2	1.60
		Total	125	100.00
3	Monthly income level	less than Gh¢ 100.00	0	0.00
		Gh¢ 101.00 – 500.00	28	22.40
		Gh¢ 501.00 – 1000.00	49	39.20
		Gh¢ 1001.00 – 2000.00	32	25.60
		Gh¢ 2001.00 – 5000.00	11	8.80
		Gh¢ 5001.00 and above	5	4.00
		Total	125	100.00
4	Educational qualification	SSCE/WASSCE	3	2.40
		Diploma/HND	30	24.00
		Bachelor's degree	53	42.40
		Master's degree	32	25.60
		PhD	4	3.20
		Others	3	2.40
		Total	125	100.00

Source: Field Survey, 2014.

• Respondents' Firms' Location and Characteristics

The survey covers 59% (n=74) of the MFIs located in the Greater Accra, and 41% (n=51) in the Ashanti regions as illustrated in Table 5.5. Although Ashanti region is

noted for its variety of businesses, the Greater Accra region currently has the largest share of the Ghanaian population with about 4.0 million (GSS, 2013). Regarding firm characteristics, four variables characterised the chosen companies surveyed as shown in Table 5.7 below. These variables are the company's years of operation, sources of finance, firm annual income and firm's target clients. Considering the company's years of operation, 54% (n=68) have operated for less than five years, while 2% (n=2) operated for between 20 -24 years. The results show that majority of the firms, 86% (n=108) have started operations in less than a decade. Whereas majority 44% (n=55) of the companies relied on the contribution from their partners, a minority get their source of funding from donor agencies 2% (n=3). Regarding annual income, 27% (n=34) earned above Gh¢ 40,001.00 while 6% (n=8) earned between Gh¢30,001.00 to Gh¢ 40,000.00 per annum. Furthermore, 42% (n=53) of the firms target the low-income groups while 38% (n=47) target all categories of income earners in the country.

Table 5. 7: Firm Characteristics

S/N	Variables	Categories	Frequency	Percentage
1	Years of operation	Less than 5 years	68	54.40
		5 - 9 years	40	32.00
		10 - 14 years	6	4.80
		15 - 19 years	5	4.00
		20 - 24 years	2	1.60
		25 years and above	4	3.20
		Total	125	100.00
2	Source of finance	Bank loans	26	20.80
		Contribution of partners	55	44.00
		Borrowers savings	24	19.20
		Share capital	17	13.60
		Donor agencies/gov't	3	2.40
		Total	125	100.00
3	Firms' annual income*	Less than Gh¢ 10,000.00	26	20.80
		Gh¢ 10,001.00 - 20,000.00	26	20.80
		Gh¢ 20,001.00 - 30,000.00	31	24.80
		Gh¢ 30,001.00 - 40,000.00	8	6.40
		Above Gh¢ 40,001.00	34	27.20
		Total	125	100.00
4	Target income groups	Low-income groups	53	42.40
		Middle income groups	22	17.60
		Upper income groups	3	2.40
		All	47	37.60
		Total	125	100.0

Source: Field Survey, 2014. *NB 1US dollars = Gh¢ 3.5. Source: BOG (2015a).

5.5.2 The Quantitative Data Analysis

The study adopted a multiple analytical techniques in analysing the quantitative data. It also used both descriptive and inferential statistics involving FA and PLS-SEM for this strand of the data. The data was tested to ensure its validity and reliability for the other multiple analytical techniques to be used. These are discussed as follows.

- **Validity and Reliability Test**

The assessment of the validity and reliability of a research data is an important aspect of validating and interpreting the results of research (Clark and Creswell, 2011). The most commonly used tests are to ascertain the quality of research which includes the construct validity, internal and external validity and reliability test (Yin, 2009). Field (2013) define construct validity as the identification of the correct operational measures for the study of a particular concept. While, the internal validity is about establishing the causal relationship of conditions and interactions between certain circumstances which lead to other outcomes, external validity, on the other hand, deals with the scope within which the results of a study can be operationalised (Yin, 2009).

Using the SPSS version 22 software, the Cronbach's α was computed to test the reliability of the 125 usable questionnaires. The results obtained are shown in Table 5.8. Prior research has attested to the reliability of using the Cronbach's α value (Field, 2013). The items and factors reliability for all the 37 items identified in Table 4.1 were ascertained using the Cronbach alpha value. They produced a Cronbach's α value of 0.82 and a composite reliability value of 0.82 which are all above a recommended minimum value of 0.70 by Straub et al. (2004). This means that the instruments used for the study are significantly reliable.

Table 5. 8: The Cronbach's α Value

Scale Statistics				Reliability Statistics	
Nr of Variables	Mean	Variance	S. D	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
37	137.66	177.02	13.31	0.815	0.822

Source: Field Survey, 2014.

- **Descriptive Statistics**

Hair et al. (2015) posit that descriptive data analysis ensures that perceptive patterns and relationships are easily determined which may not have been obvious in raw data. Thus, the use of a descriptive analysis of the data helped revealed some perceptive patterns by the table of frequency distributions, measurement of the mean scores of variables and the measurement of distributions. The results are presented in Table 8.1, 8.2 and 8.3. Based on the aim of the study, further analysis was done using FA to identify the latent factors influencing MFIs' intention.

- **Factor Analysis**

FA is one of the most appropriate multivariate statistical methods used to reduce and summarise data. The purpose of FA according to Yong and Pearce (2013, p. 79) is to “*summarised data so that relationships and patterns can be easily interpreted and understood*”. FA can be carried out on variables with the aim of reducing them to a set of interrelated factors (Field, 2013). The reason for such exercise is to identify the smaller number of separate principal factors responsible for the co-variation among a large number of variables. In this study, the aim of using FA was to capture any multivariate relationship between the factors so as to reclassify them under the appropriate factors and evaluate their effect on MFIs’ intention. Through the FA, the 37 variables were reduced to 33 variables and were regrouped and classified under 12 factors as presented in Table 8.7. These factors were then used to analysed the model in Figure 8.1.

- **Assessing the Suitability of the Data for Factor Analysis**

A two-step approach suggested by Pallant (2010) was used to evaluate the adequacy of the data for FA. Step one considered the sample size and stepped two assessed the strength of the relationships that exist between the various variables. Tabachnick and Fidell (2007) suggest that a sample of 150 to 300 is adequate and suitable for FA. However, contrary to this claim, Sapnas and Zeller (2002) suggest between 50 and 100 sample size as adequate. Zeller (2002) also demonstrates that between 10 and 50 was sufficient to establish two dimensions’ variables effects. Although in both microfinance and housing literature much has not been discussed on sample size adequacy, (Sapnas and Zeller, 2002; Zeller, 2002) studies are relevant as a basis for this study. Hence the sample size of 125 can be described as adequate and was used for the FA.

Moreover, Pallant (2010) recommends that a thorough examination should always be carried out on the correlation matrix of the sample purposely for any evidence of coefficients greater than 0.30 but less than 0.50. None of the 37 variables for demotivating, motivating and moderating falls below a correlation coefficient of 0.50. This criterion was satisfied when the measure of sampling adequacy test was performed.

- **Partial Least Square Structural Equation Modelling (PLS-SEM)**

The data was further analysed using PLS-SEM approach available in SPSS 22 and SmartPLS 3.0 respectively. This technique was used to calculate and explain MFIs’

intention to enter the housing market. Due to the reflective measurement indicators that were adopted, the model was analysed through eight steps recommended by (Hair et al., 2015). PLS-SEM is suitable for exploratory studies with the formative construct (Lowry and Gaskin, 2014; Bondinuba et al., 2016b). Moreover, PLS-SEM strength lies in modelling which allows complex models with latent (unobserved) and chains of effects (mediation) variables complex relationships to be analysed (Lowry and Gaskin, 2014).

- **Inner Path Coefficient Size and Significance of the Model**

The inner part of the model as shown in Figure 5.4 comprises of the three exogenous latent factors of Push, Pull and Mooring. They are explaining the variance of the endogenous factor of MI. Their arrows point to the dependent variable, and their path coefficients explain their effect and significance. Exogenous latent factors with a coefficient T-statistics value of more than 1.0 are considered significant and vital in predicting or explaining MI. From the results shown in Appendix 6, all the factors and their constructs T-statistics values were above 1.0 with the least being 1.07. This means all the factors and their constructs are significant.

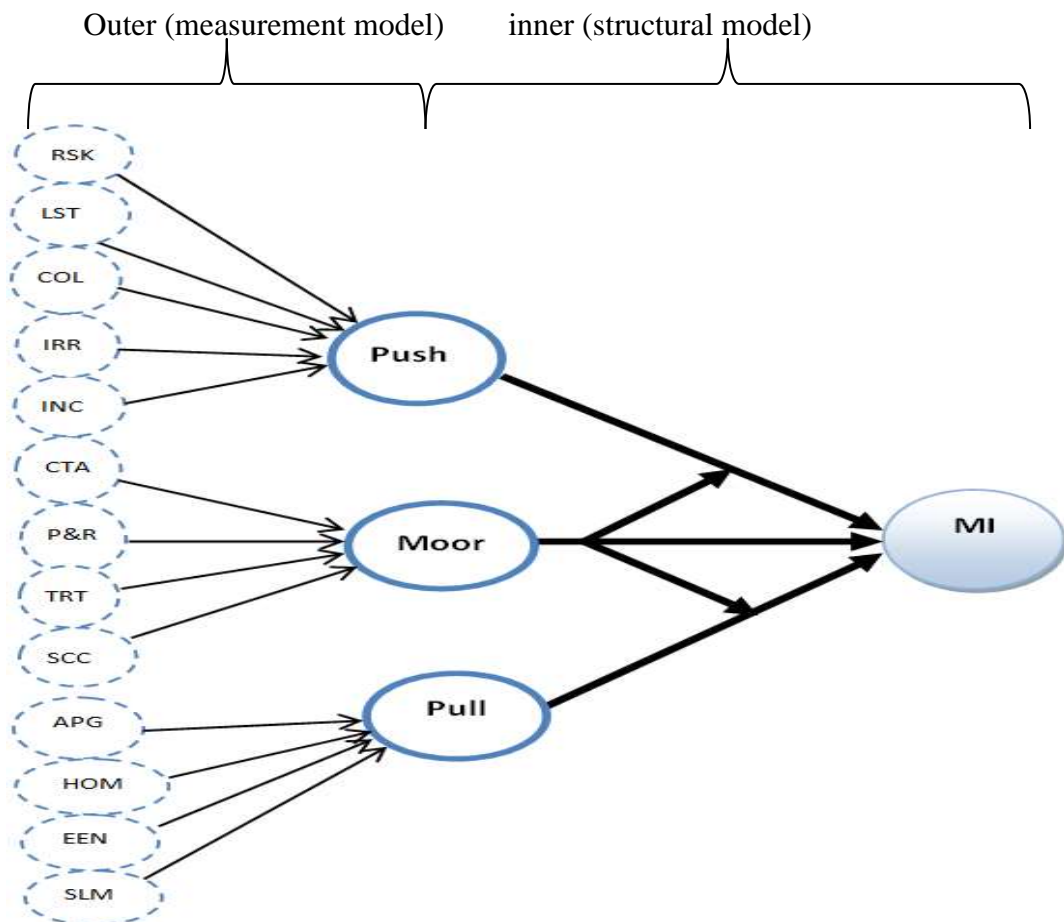


Figure 5. 4: Breakdown of the Proposed Model. Source: Author's construct.

- **Outer Model Loadings and Significance**

The outer part of the model comprising a set of 33 measurement indicator variables predicting the twelve endogenous latent constructs identified through the FA. These factors also in turn act as exogenous factors and predicting the three endogenous latent factors of the Push-Pull-Mooring in this part of the model. The Push-Pull-Mooring factors placed in the middle of the model made them assumed both independent and dependent factor characters with MI and the twelve exogenous latent factors. They become reflective of the twelve endogenous factors as they take on the arrows pointing from them. It has been suggested that for these measurement indicator variables to be considered significant, each of their loadings known as the outer loading should be more than 0.50 and their T-statistics values should be above 1.96 (Sarstedt et al., 2014). After analysing the model, four of these variables (demo3, demo8, demo13 and mode2) had their loadings below 0.5 and were therefore removed from the model as can be seen in Figure 8.1. The twelve constructs then reflect only the 33 remaining measurement indicator variables that were found to be significant. Aside, all other conditions were satisfied as shown in column 6 of Appendix 7 of the T-statistics value and column four of Appendix 9 for the outer loadings. The least outer loading of the measurement indicator variables was 0.72 and the least T-statistics value was 2.87. This means all the measurement indicator variables are significant in predicting the three categories of motivation factors in the model.

- **Indicator Reliability**

In PLS-SEM analysis, indicator reliability is the examination of the convergent validity of the indicators on a construct. Thus, when each of the outer loading values is above 0.70 and the average variance extracted (AVE) is 0.50, and above, it means they have explained half of the variance of their constructs (Hair et al., 2015). From column 5 of Appendix 9, it can be observed that all the constructs have their individual AVE values higher than the minimum acceptable level of 0.50 and above with their loadings also above the recommended 0.70. This means the indicators variables chosen for the study are very reliable and can be replicated in future research.

- **Internal Consistency and Reliability**

In many disciplines such as marketing, finance and others, the use of “Cronbach’s alpha” to measure the internal consistency reliability is well known (Wong, 2013). However, in using PLS-SEM, it is recommended by prior studies that composite

reliability is adopted as a replacement due to its reliability and robustness (Hair et al., 2015). They suggest that for the chosen variables to meet the internal consistency criteria they must attain a value of 0.60 and above. From column seven of Appendix 9, the values shown for composite reliability are all greater than 0.60 with the least being 0.76. This gives a high level of internal consistency and reliability among all the three formative Push-Pull-Mooring factors in the study.

- **Convergent Validity**

Hair et al. (2015) suggest that the convergent validity of each latent variable's AVE must be checked and evaluated with an acceptable threshold of 0.50 and above. This criterion was also satisfied as shown in Appendix 9. All the AVE and commonality values are greater than the acceptable threshold of 0.50 with the least value of 0.58. This confirms that the variables chosen can converge and be validated.

- **Discriminant Validity**

The aim of testing the model for discriminant validity was to see whether there is a higher correlation among factors of the same dimensions *"than they correlate with other items from other factors that are theoretically supposed not to correlate"* (Zait, and Berteau, 2011, p. 217). Hair et al. (2013) also state that the diagonal value of AVE for each construct should be at least 0.50. This measurement criterion was also achieved as shown in Appendix 10 where the square roots of the AVE's of the factors are all bigger than any of the correlations between other factors. This indicates that the discriminant validity condition in the study was satisfied.

- **Checking the Structural Path Significance by Bootstrapping**

To test the significance of the structural path of a PLS-SEM model, Sarstedt et al. (2014) recommend that the T-statistics values of the various paths after bootstrapping the model should have a coefficient value of 1.96 and above. The model was bootstrapped and the results as shown in Appendix 6, indicates that all the underlying factors tested were significant except the Push>MI and Push>Moo>MI path of the model. Their T-statistics values were 1.91 and 1.07 which are far below the recommended threshold of 1.96 recommended. However, the Pull structural path was very significant with a value of 4.22.

5.6 Ethical Issues in the Research Process

A research of this nature involving people and institutions, there was some ethical issues which the researcher considered and observed during the conduct of the field study. The ethical issues that were of interest from MFIs, Housing Microfinance Institutions respondents and low-income groups' participants and the site visits were in two parts. Part one deal with ethical issues relating to the research and part two is concerned with issues relating to the researcher.

5.6.1 Ethical Issues Relating to the Research Respondents and Participants

Care was taken in order not to request for information that may put pressure or create anxiety on any of the respondents. Respondents and participants were adequately briefed on the type of information the researcher was seeking from them, why such information was being sought, what purpose it will be put to, how they are expected to participate in the study, and how it will directly or indirectly affect them. Consent of participants to take part in the study was voluntary and without pressure of any kind.

The researcher was very mindful concerning the sensitivity and confidentiality of some information about MFIs, Housing Microfinance Institutions and individual low-income groups that amount to invading in respondents' privacy as asking for such information may also upset or embarrass them. The researcher was very conscious of any harm of discomfort, demeaning or dehumanising issues regarding gender, tribal and religion which are very sensitive issues in Ghana. Steps were also taken since the researcher has good knowledge of Ghana to prevent the occurrence of such situations. The researcher ensured that no sharing of such information about respondents with others for purposes other than for the study.

5.6.2 Ethical Issues Relating to the Researcher

The researcher at this point ensured that there was no issue of bias on his part regarding either concealing what have been found in the study or over-emphasizing something disproportionate to its true existence or meaning. It was also appropriate to ensure that the selection of the sample size has not been skewed or a highly biased sample, using an invalid instrument or drawing wrong conclusions. Much care was also taken in order not to report the findings of this study in a way that will change or skew them to serve the researcher own or someone else's interest. The researcher is already aware of the facts that, the use of information in a way that directly or indirectly affects a respondent or participants is unethical, and the study population was protected.

5.6.3 The Research Methodology Gap

While few empirical studies concerning the use of mixed method on the impact of HMF on low-income housing delivery in Ghana are not readily available, an attempt is being made to explain how the researcher proposes to interoperate the pragmatic mixed method approach so as to achieve the study objectives. Prior studies on HMF (Derban et al., 2002; BOG, 2007; Biitir, 2008) and Afrane (2002) on microfinance impact assessment and intervention in Ghana adopted qualitative methodology with case study strategies. None of these focuses on developing an explanatory model to explain the motivations behind MFIs' intention to enter the housing market and low-income group's decisions to use HMF to meet their housing needs. Furthermore, some empirical models assessed the general impact of microfinance, which has not been able to consider contextual factors that affect individual low-income groups' decisions to use HMF (Bhatt and Tang, 2001a, 2001b; Cornelis and Ruben, 2008). Such studies ignore both managerial and contextual perspectives of HMF adoption as a product and as a strategy for low-income housing delivery in a developing country context such as Ghana. Hence, the current study aims to fill the above research methodology gap identified.

5.7 Chapter Summary

The chapter presented an account of the research paradigm, method and strategies to which the study was conducted. The study was placed in the epistemology, pragmatic paradigm that used both non-empirical and practical strategies that exposed the findings of the work to both subjective and objective reasoning and interpretations. The chapter explained the various options available in carrying out the research using the mixed method as well as the logic for the choice of such approach in the study. In conclusion, the study employed a mixed method that utilised survey approach as its strategy with questionnaires, interviews and FGDs as the main research techniques. Finally, a detailed operationalisation of the practical side of the thesis has been stated recounting how the researcher has identified suitable MFIs organisations and low-income groups for the study and detailing the broad procedures for the data analysis using computer software's interventions. The next chapter which is Chapter Six presents the empirical survey results on the supply side perspectives of HMF delivery in Ghana.

THE SUPPLY OF HOUSING MICROFINANCE IN GHANA: THE PERSPECTIVES OF HOUSING MICROFINANCE INSTITUTIONS

6.1 Introduction

In previous chapters, the literature reviewed and research methodology adopted was presented. This Chapter presents the findings from the interview sessions with representatives of Housing Microfinance Institutions operating in the study regions. The Chapter explores the motivations behind Housing Microfinance Institutions' decision to enter the housing market and sets out to provide answers to the following research questions:

- What are the motivations behind MFIs' intention to enter the housing market?
- What are the barriers and constraints in the supply of HMF?
- What are the possible risks associated with the provision of HMF?

The Chapter is in seven sections. Section two assesses the supply side perspectives of Housing Microfinance Institutions to low-income groups. Section three also presents the motivations behind existing Housing Microfinance Institutions' decision to enter the housing market. In other words, these are the factors that are keeping existing Housing Microfinance Institutions in the housing market. In section four, the perceived barriers and constraints in delivering HMF successfully to low-income groups are also explored. The above factors also serve as the demotivating factors pushing existing Housing Microfinance Institutions out of the housing market. Section five examines the risk factors associated with the supply of HMF to low-income groups. Section six also presents the elements of innovation in HMF delivery and section seven comprises the concluding statement in the chapter.

6.2 The Supply of Housing Microfinance to Low-income Groups

In most economic and social transactions, a careful evaluation of the supply side perspectives must be undertaken when there is demand for goods and services. When there is no demand for goods and services, then there is no need to assess the supply factors. This section sets out to describe the various institutions providing HMF and their characteristics regarding their biographic data and the type of products they offer to the lowest socio-economic segment of the population in the housing market.

6.2.1 The Background Data of the Respondent Institutions

Some aspects of the biographic data of the respondent institutions have already been shown in Table 5.1. This sub-section further describes their history and presents their

backgrounds in detail. The three institutions which participated in the interviews were SAT, OISL and HFC-Boafo. SAT is a sovereign private NGO registered on 30th May 1994 as a company limited by guarantee and as a Christian faith-based MFI with its headquarters in Kumasi. Its mission is to serve the “poorest of the economically active poor” within its catchment area. According to interviewee C₁ (2014), Sinapi Aba means the “mustard seed”. SAT has modelled its organisation culture around the Christian ideals and the concept of the mustard seed. C₁ (2014), further stated that SAT believes that “*with time, coupled with proper care, a tiny mustard seed can grow to become a tree*” in future.

After the financial sector reforms in Ghana, SAT was licensed under the Non-banking Financial Institution Act of 2008 (Act 774) as a company limited by shares and authorised to carry on the business of savings and loans, on 28th March 2013. SAT became a regulated deposit-taking institution with 48 branches in all the ten regions in the country. All these branches offer a broad range of opportunities to their clients through savings and credits schemes. One of the core mandates and objectives of SAT, according to the project manager, is about improving the business and enhancing the income generation efforts and opportunities of low-income groups. In his opinion, microfinance will help alleviate poverty, improve their standard of living and, in the end, transform their lives holistically. However, with the enormous needs of the lowest socio-economic segment of the population, SAT has decided to develop a variety of financial products towards this holistic transformation agenda for those that are within their area of operations. These products and their characteristics are shown in Table 6.1.

OISL is an offshoot of SAT established out of the need for a formal financial institution with a transformational agenda to make a lasting economic impact on the entrepreneurial poor in the country. It started operating in Ghana in June 2004, as a non-bank financial institution licensed by the Bank of Ghana to operate in savings and loans, with its first branch established in Kumasi. OISL is part of the Opportunity International Network, an ecumenical Christian economic and global coalition of development organisations with 42 partners dedicated to providing opportunities to people in DCs. OISL operates in three out of the ten regions in the country.

According to available data from MIX market, (2016), as at 2014, the company had 410,285 depositors with a total deposit of USD 24.6 million. Although the company’s active borrowers dropped from 73,330 in 2014 to 57,560 in 2015, interviewee C₂

(2014), still believed in their total commitment to seeing the holistic transformation of lives, through high-quality financial and developmental services such as HMF. Such products are specifically tailored to meet the housing needs of the entrepreneurial poor. In her words:

“We are committed to reaching the greatest number of people [breadth of outreach] to transform many lives and create a lasting impact on their families, their communities, and the society at large”.

The company launched its first HMF pilot programme in 2007, similar to that of SAT.

The third institution is Bofo Microfinance Services Limited (HFC-Bofo), which is a joint venture established in 2007 by CHF International and HFC Bank Limited. Similarly, to both SAT and OISL, HFC-Bofo aims at providing both HMF and microenterprise loans to households within Accra, Kumasi and the Tema areas. With an initial joint funding from the Global Development Alliance, the United Nations slum upgrading facility and HFC Bank, Bofo sets out to improve the lives of the urban poor in many ways. These include lending:

- towards the improvement and expansion of low-income groups' homes, particularly in informal settlements
- towards the business expansion of households in order to improve their incomes and offer consumer education on both managements of credits and home improvement projects among their clients.

Bofo currently has 7,484 active borrowers within the low-income group segment in its catchment areas. Bofo leverages on the strength of CHF International as a global Microfinance expert and HFC Bank as a premier mortgage bank in Ghana to enable many low-income earners who would have otherwise been denied formal credits to better their lives through their HMF product (C2, 2014).

6.2.2 Type of Products offered by Respondent Institutions

When asked about the various products that the organisations offer to their clients, all the respondents indicated that they take deposits in the form of micro-savings and provide microcredits in different ways to their customers. These products, according to the interviewees, are open to anyone who meets their lending criteria, although low-income groups are mostly their target. Respondents also agreed that their HMF loans are available to clients with good repayment records and are available for a broad range of housing activities. The most widely used areas of housing activities are home

improvement, land acquisition, and renovation works. Another point of consensus among respondents was the loan amounts, and terms and conditions which they all admitted are usually larger in size than their normal enterprise loan and more stringent in their terms.

Unlike the Grameen Bank model of HMF delivery, where a prototype housing design is usually recommended for clients, as reported by Manoj (2015), all the respondents stated that they allowed their customers to make the choice and preference of their housing designs in the case of new construction. However, proof of ownership of land was required by all respondents' institutions before a loan was approved. This finding is consistent with Ndikumagenge (2014), who claimed that land title is a requirement to access HMF loans in Kenya. According to C₁ (2014), they offered more than ten varieties of microcredits. These are business, educational, agricultural, housing and other loans which they provide to their clients. C₁ (2014) further explained that they have about six types of business loans which they provide to their clients. The Sinapi group loan, for instance, gives low-income entrepreneurs access to working capital and financial support to groups of 4-10 membership. The microenterprise loan, on the other hand, is also a working capital loan for individuals and micro-entrepreneurs who are capable of obtaining the loan independently.

Another type of business loans comprises small and medium enterprise loans specially designed for start-up entrepreneurs who need financial support to further expand their businesses. There is also the Sinapi business asset loan which gives small and micro entrepreneurs the opportunity to acquire business assets to promote efficiency in their existing business operations. According to C₁ (2014):

“We believe our business loans will enhance our clients and their business to be more productive. [For instance, their Sinapi business bundle] is a combination of products and services that seek to transform our customers' business by giving them the opportunity to negotiate the interest rates based on the volume of business. [Again], we made available yet another product called the Sinapi festive loan to help clients who might have exhausted their loans during festive seasons to receive more funds to purchase additional goods to sell during the peak festive times.

According to C₁ (2014), since low-income groups are diverse in the way they earn their livelihood, any institution that aims at improving low-income groups' livelihood will

need to develop a variety of products tailored towards these diversities. Therefore, one such product they developed is the Sinapi Agricultural loan which is a tailor-made loan product for agricultural actors operating within the agricultural value chain. The aim is to help agro-businessmen and women gain easy access to loans to support their farming activities. They also offer two sets of educational loans. These are the micro-school and Sinapi education loans. As C₁ (2014) explained, their:

Micro-school loans support both micro and less endowed schools to enable them to increase enrolment; the facility also helps provide quality learning and teaching environment for the pupils. Our Sinapi education loans give the peace of mind and offer stress-free life in paying school fees and other educational costs.”

At this point, according to C₁ (2014), they realised that meeting the housing needs of those in the lowest economic sector of the population was the best way of holistically transforming their lives. They, therefore, decided to use HMF as an opportunity to enable their clients to improve and refurbish their homes and meet their housing needs. Thus, their HMF, according to C₂ (2014),

“Is very simple, flexible, convenient and easy to access to meet your home improvement needs. It is available and accessible in any of our branches nationwide”.

Additionally, there is a Church loan facility, which is available to churches for various purposes, such as church buildings, purchasing of musical instruments and church buses, among others. As well as providing credits to low-income groups using the above approaches, C₁ 2014) further stated that:

“We are also currently experimenting with a Youth Apprenticeship Programme (YAP), HIV/AIDS education and awareness programmes among the youth and women’s groups, as well as microfinance consultancy services to other up and coming MFIs in the country”.

OISL also offer a variety of microcredits to low-income groups in the country. They have small and medium enterprise loans which are available to both groups and individuals. Their small and medium scale entrepreneurs’ loans provide working capital of a minimum of Gh¢10,000.00 with a repayment period of 36 months, offered to small and medium scale entrepreneurs for their business expansion (C₂ 2014). Group loans are another form of enterprise loan, provided to organised groups for their business expansion. Adehye group loan is a business loan available to a group of identified loyal clients who are in their fifth cycle of doing business with them and are willing to

maintain the group beyond the 5th cycle (C₂, 2014). Those within the Adehye group who want to opt out of the group are offered their Adehye individual loan facility to keep such loyal individual clients. C₂ (2014) mentioned another facility, known as the standalone enterprise loan, for ordinary individuals to access as working capital for their business expansion. They have both Susu loans for their Susu deposits clients who have been with them for some time and salary loans which are short term loans for salaried customers, with a minimum repayment period of 36 months.

OISL also have educational loans meant for payment of school fees and other school-related expenses. According to C₂ (2014), clients who are in their fifth cycle of doing business with them do not need a guarantor to access this type of loan if the amount does not exceed GH¢1,000.00. Edu-finance is another form of educational microfinance facility designed as a short and medium term finance for private schools to enable them expand their educational facilities or buy some equipment. This facility has a maximum repayment period of 36 months. The third type of educational loan facility is the “goal student loan”. It is granted to students in tertiary institutions to assist them to pay their school fees and meet other education-related expenses while in school.

The agricultural sector is another area in which OISL is interested, to support low-income groups who are involved in agricultural activities. They provide their clients in this sector with variety of loans, such as agricultural microfinance and SME loans. These are microfinance facilities advanced to low-income farmers to help them in their farming-related activities, which include irrigation, agro-marketing and processing, purchasing farm implements and transport (C₂, 2014). There is another microfinance facility for the disabled low-income groups, at concessionary interest rates known as the “empowerment loan”. OISL’s HMF facility is known as the “Afoto housing loan” designed for small and medium scale entrepreneurs, farmers and salaried workers. It comes in two forms: for home improvement and incrementally building.

Table 6. 1: Type of Microfinance Products offered by Housing Microfinance Institutions interviewed

Types of microfinance products		SAT	OISL	HFC-BMSL
Micro Savings		√	√	√
Micro Enterprise Finance	Group Loans	√	√	√
	Micro Enterprise Loans (Small and medium enterprise loan)	√	√	√
	Business asset loans	√	√	X
	Agricultural loans	√	√	√
Education Microfinance	Student loans	√	√	√
	Education infrastructure loans	√	√	X
	Micro-school fees loans	√	√	X
Micro Insurance		X	X	X
HMF	Repairs and renovations	√	√	√
	Home improvement	√	√	√
	New construction	√	√	√
Others (church financing, funerals among others)		√	√	√

Source: Field Survey, 2014.

6.2.3 Housing Microfinance Eligibility Requirements, Target Group and Delivery Strategies

From Table 6.1, it can be seen that all the respondent institutions offer HMF. C₃ (2014) explained that they strictly served their existing clients rather than anyone who expresses the need or had the capacity to pay. The basic requirements for accessing HMF, according to C₂ (2014) are that the borrower must be above 18 years of age, gainfully employed or operate a credible and legally recognised business and the location of the project must be within their catchment area. Moreover, the client must have operated an active account with them for a minimum of six months. However, all the respondent institutions target the low-income groups: C₂ (2014) stated that they believe in a policy of financial inclusion and not exclusion and therefore strive to open their doors to all manner of persons, provided they are assessed to be low risk. In her words:

“As long as many expressed interests in our products with the willingness and ability to pay we are willing to serve them”.

While C₃ (2014) explained that they get most of their clients through referrals and peer recommendations, C₂ (2014) stated they often advertised their HMF through radio, or made direct sales through their loan officers during loan monitoring and financial literacy programmes. When asked about whether there was intense competition in the HMF market, C₂ (2014) said:

“We are even afraid to scale up now because we are yet to do an impact assessment to know our strength and weakness [regarding scalability countrywide] else the market is large to accommodate as many as [MFIs] that are willing to enter the housing market.

C₁ (2014) said her organisation as quick to ask for government support to attract more MFIs into the market because there was more demand than they could supply, but there are some systematic constraints, as discussed in section 6.4. These systemic issues, he claimed,

“Range from legal to cultural issues that need to be addressed. [Otherwise], the market is vast enough for all of us to operate”.

According to C₃ (2014), they have operated in the housing market for quite a long time and are well placed to survive market competition in any form. The above finding confirms what was found in the study by AfDB (2011), as cited in Chapter Four, that the size of the low-income housing market is large and could be a motivation for both existing and new MFIs. On whether construction and technical assistance should be mandatory in HMF delivery, C₁ (2014) and C₂ (2014) agreed, whereas C₃ (2014) disagreed. This divergent view among the interviewees was as a result of the way they look at the issue of housing delivery. While the organisations represented by C₁ (2014) and C₂ (2014) were both currently providing construction and technical assistance as part of their HMF loan requirements, C₃ (2014) did not.

Moreover, whereas C₁ (2014) and C₂ (2014) believed that low-income groups' housing needs must be met with finance or delivered through a process and not just as a product, C₃ (2014) thought otherwise, arguing that adding construction and technical assistance would prolong the construction time, which would affect profitability. However, C₁ (2014) and (C₂, 2014) believed that construction and technical assistance would ensure quality. C₁ (2014) further argued that low-income groups also sometimes over or under state their housing needs, and therefore a construction and technical support specialist can assess the actual housing needs and offer the best technical advice that matches the incomes of individuals in low-income groups. In C₂'s (2014) view, the provision of construction and technical assistance as part of their HMF loan requirements is an effort to discourage and minimise informalities in the low-income housing market among low-income groups in the country. The responses above also confirm the arguments put forward by Hamdi (1999) and Metzel (2009) that the way in which Housing Microfinance Institutions perceive the housing delivery process influences the paradigm they adopt, and this can affect HMF delivery. However, from Table 6.2 it would have been expected that since C₃ (2014) said HMFC-BMSL believed in the provider paradigm, they would have the largest number of clients served. Surprisingly, that is not the case; rather it is the two Housing Microfinance Institutions with the supporter

approach that have made an impact regarding the number of customers served. The characteristics of the three Housing Microfinance Institutions in this study are shown in Table 6.2 below.

Table 6. 2: Housing Microfinance Providers and Current Practice in Ghana

Name of Institution	Type of Inst.	Product Type	Target Group	Lending Methodology	Loan Amount GH¢	Repayment Periods	Interest Rates per Annum	HMF Products	Collateral	CTA to Clients	Nr of beneficiaries
Boafo Microfinance Services Ltd	MFI	Stand-alone	Self-employed & salaried workers with minimum income of GH¢100	Individual	10,000 to 80,000	4 to 36 months	2.75%, including 0.075% insurance	HI-5 loan. Home improvement + Construction	Savings + collateral of value equal or more than that of the loan	No construction and technical assistance (Provider)	170
Sinapi Aba Trust	S & LC	Additional product	Self-employed & salaried workers with minimum income of GH¢100	Individual	100 to 30,000	3 to 24 months	2.90% to 6.0%, depending on loan size and maturity	Home improvement + construction	Savings + co-signers + collateral of value equal or more than that of the loan	Includes construction and technical assistance (Supporter)	450
Opportunity International Ltd	S & LC	Additional product	Self-employed & salaried workers with minimum income of GH¢100	Individual	100 to 50,000	3 to 24 months	2.90% to 6.0%, depending on loan size and maturity	Home improvement + construction	Savings + collateral of value equal or more than that of the loan	Includes construction and technical assistance (Supporter)	N/A

Source: Field Survey, 2014.

6.3 The Motivations behind Existing Housing Microfinance Institutions decision to enter the Housing Market

The literature reviewed identified many motivating factors that are likely to keep existing Housing Microfinance Institutions and attract new entrants into the housing market. These factors include a Housing Microfinance Institutions' appetite for growth and profit, high desire for homeownership among low-income groups, ease of entry into the housing market, and the perceived large size of the low-income housing market. In this section, the motivating factors that are keeping existing Housing Microfinance Institutions in the housing market are explored. When managers in Housing Microfinance Institutions in charge of HMF delivery were asked about the motivations behind their institution's decision to adopt and deliver HMF to low-income groups, many perspectives emerged. It transpired that most of the respondent institutions are in the housing market due to three factors, based on social, economic and sustainability motivations, as shown in Figure 6.1.

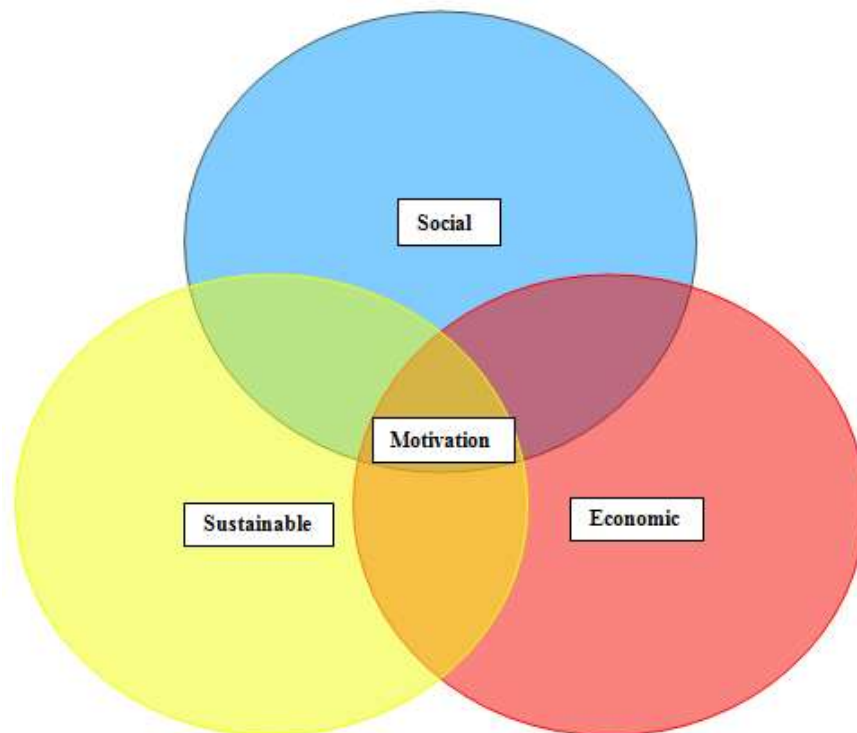


Figure 6. 1: The Motivations behind Housing Microfinance Institutions' Decision to Enter the Housing Market. Source: Field Survey, 2014.

6.3.1 Social Motivation

It emerged that two of the respondent institutions aligned their HMF delivery along the lines of achieving the social objectives that will have a longer impact on the lives of low-income groups in the country. These existing Housing Microfinance Institutions' motivation in the housing market is due to their belief that HMF has the potential to

making a social impact through housing loans. Two out of the three Housing Microfinance Institutions stated that apart from their clients demonstrating the need for HMF, they also believe that its adoption was purely in line with their firms' philosophy of a holistic and total transformation of the lives of their poor clients. The realisation that some of their clients were diverting their enterprise loans towards housing activities not only compelled them to respond to this need regarding housing but also served as a motivation to meet the market demand and needs. In C₁'s (2014) words:

"...we looked at the holistic transformation of our client. We saw that shelter is crucial in the total transformation process of the urban poor that is why we introduced housing microfinance programme..."

C₂ (2014) also added that:

"There is ample evidence that some of our clients divert our enterprise loans to meet their housing needs, and housing microfinance is an extension of housing finance in a more innovative way towards meeting the demand and needs of the lower end of the housing market."

According to C₃ (2014), most of their prospective clients who needed finance for their housing projects were coming from the low-income earning groups.

"Most of our existing customers were finding it difficult to access our mortgage loans because of their income levels. So we developed housing microfinance for our low-income clients who are working in both formal and informal sectors."

The opinion expressed by the representatives of the first two respondent institutions points to the fact that they were able to study the market through research and tried to respond to both clients' needs and the market needs. New MFIs who wish to and are willing to enter the housing market will need to understand the characteristics and needs of those actors and the dynamics of the market. This will ultimately serve as a pull motivation factor. Moreover, the above finding supports Daphnis and Ferguson's (2004) suggestion that Housing Microfinance Institutions who can spend the time to understand the low-income market, design products that meet the real demand and operate strong credit programmes will be able to develop a profitable product while assisting low-income groups to improve their housing conditions.

Another social objective according to C₁ (2014) is the organisation's desire to deepen the outreach of their operations. The introduction of HMF will enable them to assess the physical impact of their activities in both quantitative and qualitative terms. Another respondent said:

“HMF allowed us to explore and examine the potential of meeting some of our clients needs through housing” (C2, 2014).

They were able to assess the impact they were supposed to make on the lives of the poor in a holistic manner which falls within their corporate mission. This respondent further stated that:

“The provision of HMF helps us live up to our core mandate and vision of improving the lives of the poor by assisting them in their entire building process”.

It also emerged that one of the respondent institutions claimed that HMF could serve as a safe, durable, cost-effective, socio-cultural goal to low-income groups and their families' housing challenges. In the case of Ghana, where it is a social obligation to share shelter with neighbours and families, socially oriented Housing Microfinance Institutions such as SAT and OISL considered HMF as a social-cultural tool. This is echoed in C2's (2014) assertion that:

“We want to influence and affiliate with the urban poor through housing which many people in most Ghanaian communities regard as not only economic but as a social as well as cultural good”.

The above social objectives made two of the respondent institutions also link their HMF to construction and technical assistance, to make a greater social impact and reduce loan risks and, in the end, to increase the competitive advantage which most of their clients valued. However, to be more efficient in the depth of outreach in HMF delivery, Housing Microfinance Institutions will have to develop and adopt adequate mechanisms that will leverage on the available local skills and social capital of low-income groups to improve their living conditions and yet remain cost-effective as well.

There is another social dimension that emerged from the interviews. This was the social motivation to reduce the vulnerability of low-income groups by creating a mechanism that bridges the gap created by poverty. It came to light that the high demand for housing by low-income earners in the country was a reality and not a perception, and therefore served as motivation and an opportunity for Housing Microfinance Institutions to create a market niche for themselves. C2 (2014) explained it in this way:

“We realised the need to create an innovative mechanism to bridge the gap created by poverty, illiteracy, gender, and remoteness to financial services among our poor brothers and sisters within our urban economy.”

In the view of interviewee C1 (2014):

“They [the low-income groups] are our real crucial target because they cannot go to commercial banks, so it is only through this means that they can also

access finance to meet their housing needs. They cannot access mortgage loans; they do not even qualify to take a commercial loan from a bank. So through this [HMF], [low-income groups] are happy that they can get some funds to improve their shelter conditions.”

Respondent institutions were unanimous on this point that most of their existing clients had expressed interest in their HMF programmes, which suggests that there is a high need and demand for them. Housing Microfinance Institutions’ ability to translate the needs expressed by these customers into new products will enable them to create a market niche for themselves. An understanding of these low-income groups’ needs will also help client retention and loyalty. All the interviewees from the respondent institutions agreed that the adoption of HMF in their respective institutions served as a very attractive and innovative means of building their client base and loyalty. As demonstrated in Table 6.1 some of them had been able to design other products in line with their loyal customers’ needs.

6.3.2 Economic Motivation

The adoption and provision of HMF allow Housing Microfinance Institutions to draw on local resources such as local artisans’ expertise. This is because there is already a pre-existing market of incremental building and builders within that pre-defined market. Tapping into this market will help both low-income groups and Housing Microfinance Institutions to demonstrate commitment towards the construction process, thereby serving as a motivation to both demand and supply sides. C₃ (2014) explained it this way:

“Since our [HMF] product is designed and tailored towards the client needs and linked to what is already known and practiced within the low-income housing market, repayment delinquency is no more a problem to us”.

Using the local building market helped to reduce the overall cost of construction and in the long run made it profitable. The above view was also supported by C₂ (2014), who said:

“...Even from experience, we realized that some of our clients who we’ve served [providing microenterprise loans] after a while were able to put up some houses as an economic asset [on their own out of the enterprise loans], indicating the need and demand for low-income housing in our catchment areas...”

Moreover, the adoption of HMF in addition to existing traditional products serves as a risk mitigation strategy against the failure of any of those existing products. This is due to HMF’s long-term retention of clients, as well as the product itself. Customers who

would have left to other companies offering HMF will obviously be retained and therefore increase the firm customer base and ensure customer loyalty. Another economic dimension in the introduction of HMF, according to one of the respondents, is the organisation's desire to develop simple products that create a wider socio-economic impact. C₃ (2014) explained that:

"Our [HMF] product is simple and is well understood by our clients, as well as being easily administered by our field officers".

6.3.3 Sustainability Motivation

The sustainability motivation in this context is about how Housing Microfinance Institutions can achieve both social and economic aims and still become viable and efficient. When a Housing Microfinance Institutions meets the above two socio-economic motivations without exploiting low-income groups, then the sustainability dimension of being in the housing market is being fulfilled. HMF is a means of strengthening other portfolios, which will, in the long run, bring Housing Microfinance Institutions some social returns, improve sustainability and raise new sources of capital. In the understanding of C₂ (2014):

"We felt this will improve the viability of us being in the market for generating higher revenues to cover costs and raise new sources of capital for loans and our other services".

Surprisingly, there is little evidence in the findings that HMF can generate significant business benefits, as most of the literature claims (see Ferguson, 2003). However, there was some evidence that it can increase social outcomes, which also suggests that well-designed HMF will be a legitimate option for low-income groups in the country.

Another motivational dimension that emerged arises from the current waves of rapid urbanisation in the country, which respondents felt presented an opportunity for them to scale up HMF to meet the demand for low-income housing finance. Ghana is becoming a place of destination for many refugees and other West African migrants who, upon enjoying Ghanaian hospitality, often decide to stay permanently. Respondents' institutions expressed some consensus that the country has enjoyed some form of political and economy stability, although some economic indicators, such as inflation and the instability in the local currency have not been good. They also explained that there is a growing young population that is willing to build their housing to begin life. Improved employment often attracts such younger populations towards the cities, due to

the political and economic stability of the country. All the above considerations served as motivation for existing Housing Microfinance Institutions in the low-income housing market.

In conclusion, all the interviewees echoed the social motivation which they leveraged on through the group lending methodology that encourages social living and networks, as well as the potential of housing in bringing about poverty reduction. In economic terms, they believed that income generation and business expansion through the use of low-income groups' improved housing could enable financial sustainability.

6.4 The Barriers and Constraints in the Supply of Housing Microfinance

In this section, the obstacles and challenges hindering HMF delivery in the country are identified and evaluated. The microfinance and HMF markets, like other sectors of the economy in Ghana, also face and their barriers and constraints. To enable more focused discussion, these factors are classified into four categories, as indigenous, institutional and industrial capacity, credit and management, and economic and financial barriers. These affect the sector in various ways. In many contexts, HMF delivery seems more difficult in Ghana than in other countries with similar characteristics, such as Bangladesh, India and those in Latin America, among others. In understanding these barriers and constraints in HMF delivery, Housing Microfinance Institutions and investors can estimate their effects regarding the successes and failures of their programmes.

6.4.1 Indigenous Barriers

Indigenous barriers refer to the social and cultural values, beliefs and behaviours exhibited among the lowest socio-economic segment of the population and other stakeholders which affect the delivery of HMF in the country. These issues involve land tenure and security, and collateralisation, among others. Some Ghanaian values and belief systems about debt and housing regarding gender and home ownership are barriers to the supply and demand of HMF in the country. C₁ (2014) reported that some low-income groups in Ghana are usually not comfortable about relying on thrift loans to meet their housing needs.

Many preferred to use their sweat money instead of borrowing. Respondent C₂ (2014) echoed that homeownership among women, in particular, is still a significant cultural barrier in the country. The above sentiments are not far from the findings of Biitir

(2008), for instance, who stated that female home-ownership is regarded as a taboo in some parts of Ghana, even though microfinance targets the female borrowers as the more reliable clients, compared to their male counterparts. The above argument also supports that of Teye et al. (2015), who suggest that the unique cultural context and belief systems need to be considered in the development of the housing finance market in Ghana. They advocate that, although these cultural issues are not covered in the extant literature, there is a need to contextualise them in the design and delivery of finance, which includes HMF.

- **Land Tenure and Security Factor**

All the respondents expressed an opinion about the issue of land and tenure security being seen as a significant barrier affecting the sustainability and scalability of their organisations' operations in the country. For instance, C₃ (2014) pointed out that there were many complexities in the land administration system in the country. Land ownership in Ghana is by customary, state-owned or vested lands. In the case of a customary land system, the credentials of who has the legal right to act have always been challenged in court for some time among many traditional leaders in the country. Sometimes, when chiefs die after granting lands, the grants cease to be recognised, and their successors often demand further payment from existing and new buyers. This situation, as both C₁ (2014) and C₂ (2014) agreed, was seen to have been very detrimental to the scaling up of HMF. This is because it puts both time and price pressure on low-income groups in acquiring urban land. This opinion by the two interviewees is consistent with the report by CHF (2004), which found that most private and individual developers in some cities in Ghana were always prepared to pay three times the cost of land before they could be certain of ownership, due to multiple sales by chiefs.

Another challenge, according to the respondents, is the complicated state of land tenure arising out of the numerous laws and agencies that are involved in the management and delivery of land in the country. For instance, the continued existence of legislations such as the land registry Act of 1962, the land title registry law of 1986 and the conveyancing Decree of 1973 create some complications in the process of land delivery. There seem to be some overlaps in these regulatory frameworks. C₁ (2014) asserted that:

“There are many complexities in land tenure that signifies a lack of homogeneity coupled with complex building codes and administrative

requirements from Town and Country Department which are evidence of some of the constraints to HMF delivery”.

There seems to be frequent amalgamation of land departments. This is as a result of the decentralised concept and system of governance in the country. This serves as a significant barrier to an efficient housing market development that includes HMF market because:

“The uncertainties and the frequent cases of litigation in the land market in the country is something we are worried about” (C₂, 2014).

However, interviewee C₃ (2014) was very optimistic about the current and ongoing land administration project, aimed at restructuring and streamlining the process of acquiring land, developing the formal land market and promoting land management in the country. The above findings provide evidence that land and its related issues constitute a significant indigenous barrier and constraint to MFIs which specialise in microenterprise lending but would like to scale up into HMF delivery in the country.

- **The Collateral Factor**

Collateral refers to the relationship or ratio between the HMF loan and the value of the security tendered to secure an HMF loan. Collateral inadequacies due to poor assessment by credit officers do sometimes create serious challenges in the delivery of HMF. As, C₃ (2014) stated, it is vital for any new entrants into the market to undertake proper collateral factor analysis regarding evaluating the loan-to-value (LTV) ratio of low-income groups' collaterals before granting them loans. C₂ (2014) also pointed out that in HMF delivery using microenterprise principles collateral was not an issue, but now it is an integral part of loan requirements, and managing this new trend posed a challenge for new market entrants.

Although CHF International (2004) makes a case for a co-signer as an appropriate and cost effective way of securing HMF loans, the current rate of rapid urbanisation and the high level of internal migration among low-income groups seeking sustainable employment have made this concept less effective. The majority of Housing Microfinance Institutions in the country now resort to another collateral substitute, which, according to them should be equal in value to the loan amount. Some of the respondents also admitted that there is also the challenge of how to secure most of the low-income groups' collaterals in a way that will give the Housing Microfinance Institutions the right to seize and liquidate them to defray the loans in the event of

default. When asked about whether placing a lien on a house, for instance, for a small loan by low-income groups, will not amount to over-collateralisation and mortgaging C₃ (2014) has this to say.

Globalisation has made the Ghanaian borrower very sophisticated, and our customs of good faith are no longer in existence, let alone effective. In the olden days, you feel shy when you owe someone but today that is not the case.

The above sentiment suggests that there could be a lack of trust among suppliers and consumers of HMF in the country. However, interviewee C₁ (2014) was very optimistic that the enactment of the borrowers and lenders Act of 2008 [ACT 773] and the establishment of the collateral registry by the Bank of Ghana in 2008 was a good sign of ushering the country into a secured transaction regime. The act aims at providing a safe platform for the creation, perfection, prioritisation and enforcement of security interest for both lenders and borrowers (BOG, 2015b). HMF lenders, therefore, expect that lending is becoming less risky with this secured transaction regime in place.

6.4.2 Institutional and Industry Capacity Barriers

Capacity affects Housing Microfinance Institutions in many ways. Some of the sub-themes that emerged as factors are a lack of capacity in the two sectors, lack of housing authorities' capacity, lack of access to construction and technical assistance, lack of regulation and unfair marketing practices.

- **Lack of Capacity of both Microfinance and Housing Sectors Factor**

The first aspect of this factor was the capacity building of Housing Microfinance Institutions in the area of improving the efficiency in the delivery of satisfactory HMF. For instance, the outsourcing of construction and technical assistance to a third party organisation is not an issue of convenience but an indication of lack of in-house capacity of almost all the respondent institutions. However, interviewee C₂ (2014) observed that their ability to outsource the construction and technical assistance component to Habitat for Humanity-Ghana was rather a sign of strong collaboration and partnership with other actors in the industry.

Although cooperation and partnership are necessary at this infant stage of the development of the HMF sector, Housing Microfinance Institutions still need to build their in-house capacity regarding HMF product design and delivery, as well as monitoring and evaluation. At the time of the study, as C₂ (2014) explained, the

organisation was yet to do an impact assessment of their HMF programmes. This also attests to the lack of in-house technical capacity to evaluate the impact of their programmes. Another dimension of capabilities that emerged during the interview sessions was the capacity of the low-income groups' borrowers, which refers to the ability of individuals from the low-income groups to repay the HMF loan, within the terms and conditions of the loan, even if not on time. This was not always the case, according to interviewee C₃ (2014).

- **Lack of Housing Authority Capacity and Lack of Access to Technical Assistance Factors**

In addition to the lack of capacity of the two sectors, another factor is the unquestioning application of building codes and planning concepts from Western countries introduced during the colonial period. These regulations favoured the use of construction materials such as blocks and reinforced concrete, which discourages the use of many of the local alternatives to these building materials and types of services. Building inspectors at the local District Assemblies are unable to monitor and guide low-income groups in their building process. If local housing authorities take up this role, according to C₃ (2014), the cost recovery aspects of construction and technical assistance for HMF will not any longer be a burden to Housing Microfinance Institutions. This inspection and technical advice, if handled by the various agencies of the District Assemblies, will also help lessen the cost and interest rates on HMF.

- **Factors Involving Lack of Regulation and Unfair Marketing Practices**

Currently, no specific policy guidelines are regulating the delivery of HMF in the country. Housing Microfinance Institutions are all using the existing microfinance guidelines and regulations to design and supply HMF products. This lack of specific policy guidelines hinders the effectiveness of HMF delivery in the country. In the opinion of interviewee C₁ (2014):

“Lending for housing under the same regulatory framework of microenterprise loans is very problematic; as lenders, we often faced so many risks including collateral risk.”

Interviewee C₂ (2014) also added to this, saying that:

“Even as we are a socially oriented microfinance organisation, I think HMF needs its set of regulations if we have to expand the market. It will ensure some safety on all of our parts.”

This set of rules and regulations should be different from those for mortgage and microenterprise loans. This would not only enable HMF providers to scale up regarding sourcing funding but also encourage them to develop diverse methods and channels of HMF delivery in the country.

6.4.3 Credit and Management Barriers

Barriers relating to credit refer to the borrower's history of not being able to fulfil his/her financial obligations of repaying loans and other services on time. Housing Microfinance Institutions often face the challenge of how to increase their efficiency while making their HMF flexible regarding its delivery. It seems difficult to implement for many products with a different set of requirements. For instance, HMF interest rates are usually different from microfinance loans, especially among commercial Housing Microfinance Institutions. Managing these varying sets of products among clients who also need further financial education to make them understand why there is a difference in interest rates poses many challenges to Housing Microfinance Institutions. Moreover, regardless of the structure or business model of any Housing Microfinance Institutions, HMF can be a very expensive business model to both experienced and inexperienced MFIs, given the need to upgrade many systems regarding staff training, conducting low-income housing market research and the marketing aspects of HMF.

6.4.4 Economic and Financial Barriers

The majority of respondent institutions received funding from external donors who would certainly have some priority and interest. At any point in time, if this priority of financing interest becomes worn out, the HMF industry will collapse. Furthermore, the risk level among low-income groups is also very high and therefore most Housing Microfinance Institutions often resort to risk-based pricing. Such a situation will ultimately affect the effectiveness of their operations. In C₂'s (2014) own words:

We need innovation in pricing, methodologies, collateral administration, [HMF] programmes, monitoring skills and even alternative delivery methods and channels.

The factors which have been discussed are summarised in Figure 6.2.

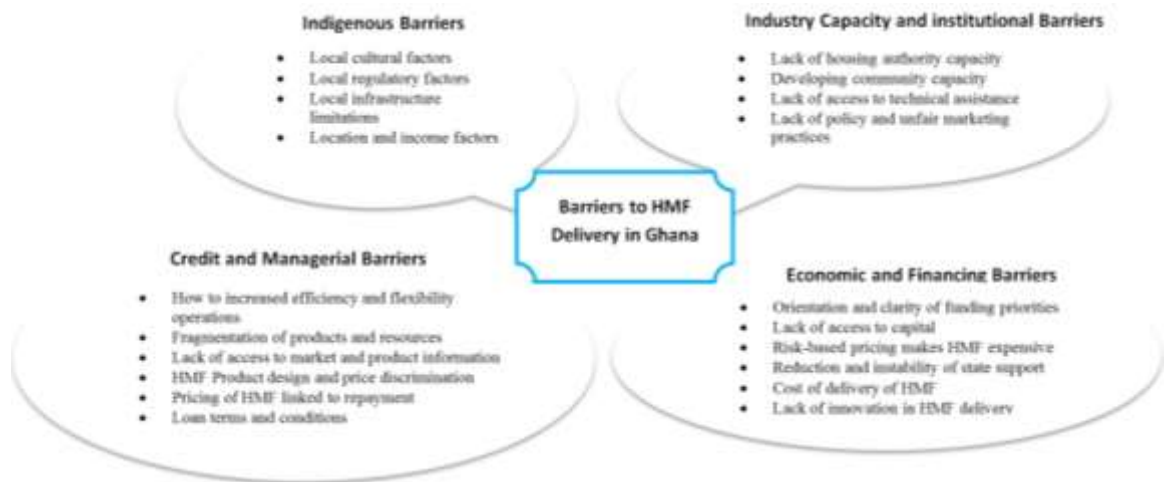


Figure 6. 2: Barriers to Housing Microfinance Delivery in Ghana. Source: Field Survey, 2014.

6.5 The Risk Factors in Housing Microfinance Supply to Low-income Groups

Risks are involved in every transaction situation where there is the likelihood of uncertainty concerning whether the outcome will be realised or not. In the case of HMF, funds are usually locked up for years and, like any other supply-side business, it also shares similar supply-side risks. Moreover, its operations involve two sectors of the economy and therefore share more risks from both the microfinance and housing sectors. In Chapter Four, some of these risks factors were discussed. In this part of the interview, interviewees were asked about the perceived potential risk factors in the delivery of HMF. All the interviewees in the respondent institutions admitted that there were some inherent risks which they had encountered and foreseen as the market expanded. These risks factors are classified into four categories and shown in Figure 6.3, with the follow-up discussions below.

6.5.1 Behavioural and Relationship Risks

It emerged that members of some low-income groups have developed the habit of what is known as “*non-disclosure of vital information*” about themselves and their collateral. According to C₃ (2014), they often tend to play a “*hide and seek game*” with loan officers. Some individuals will change their telephone numbers to avoid Housing Microfinance Institutions loan officers. Moreover, existing Housing Microfinance Institutions operations are concentrated in the urban areas rather than in the rural areas in the country. In C₃’s (2014) view, people are no longer willing to be liable for others, due to the fluid nature of social networks, as a result of frequent in-migration to the urban centres. This made co-signing as a collateral substitute, as recommended by CHF International (2004) not feasible in HMF.

Both interviewee C₁ (2014) and C₂ (2014) asserted that they foresaw the possibility of clients becoming dissatisfied or dropping out due to future competition in the market. For instance, since the market is developing, more clients will have options, and this could be very costly to existing Housing Microfinance Institutions. Interviewee C₃ (2014) agreed on the above point and indicated that:

“We are at the moment very sensitive to our client requirements regarding unfavourable loan terms and procedures that may lead to client drop-out”.

Another inherent behavioural risk anticipated by all the respondent institutions is human risks, where there is a higher probability of fraud, misappropriation of funds by either Housing Microfinance Institutions clients or employees. Thus, intentional misappropriation of the loan amount can bring disgrace and threaten the trustworthiness of Housing Microfinance Institutions. C₁ (2004) in particular mentioned, fraud, such as Housing Microfinance Institutions’ employees or loan officers’ taking bribes, creation of fake clients’ portfolios, undervaluation of customers’ collateral and misreporting of data and information on clients for personal gains. Some of the respondent institutions anticipate that such risks are to be expected as the industry expands.

6.5.2 Economic and Financial Risks

HMF delivery requires a higher amount of loan with longer terms of repayment, which could be affected by any macroeconomic distortions, such as *“the current sharp depreciation of the cedi”* (C₃, 2014). The most likely risk most of the respondents mentioned was cash flow risk. This usually happens when there is a change in the operating market environment. In such a situation both Housing Microfinance Institutions and low-income groups are required to make some adjustments mutually to the loan terms and conditions. Interviewee C₂ (2014) gave some examples, such as the prevailing high and escalating interest rate regime, high inflation and the volatile exchange rate environment currently being experienced in the country. Moreover, it also emerged that low-income groups were beginning to lose confidence in some MFIs operating in the country, due to some divergence of interest, which may affect the entire industry. Interviewee C₃ (2014) described such occurrences as a systematic risk which could spread across the industry if efforts were not made to correct such behaviour. MFIs sometimes experience the danger of insufficiency of funds for normal short to medium term operations. In such a situation, it erodes their clients and other stakeholder

confidence when they are not able to meet the short-term liabilities on time when they are due.

Other factors mentioned by respondents were agency and political risk, where there could be a change in the legal framework and policy environment that could have an effect on lending to sectors such as housing. C₂ (2014) and C₃ (2014) asserted that, although there is no political interference in their operations, they that believe since housing has become a political issue in the country it could deter potential new entrants from the market. Other risks are credit risk, which involves some low-income groups absconding with loans, in addition to the accrued interest. Additionally, there is another risk when Housing Microfinance Institutions need the money for investment in other newly-identified markets at a time when repayment by low-income groups is not due. This type of risk could also occur when HMF loans become irrecoverable due to a complete default, or when low-income group borrowers overstretch the repayment schedule, resulting in a decline in the present value on the principal of the loan.

6.5.3 Institutional and Regulatory Risks

Two of the interviewees were of the opinion that HMF operating under the same regulatory framework as that of general microfinance was not only risky but caused them to fear that future regulations might render the sector less attractive. C₃ (2014) expressed the concern that, if future regulations do not also limit commercial banks and other business interest groups in the country from directly scaling down to the bottom segments of the population once the market for HMF picks up, it could be very detrimental to the growth of the industry.

6.5.4 Collateral and Security Risks

Respondents expressed some doubts about the efficiency and effective nature of the property market in the country. This is as a result of the difficulties of selling off properties or disposing of collateral as a result of default in payment. According to the respondents, the most critical of all the identified risks is behavioural and relationship risks, followed by collateral and security risks. Interviewee C₂ (2014), for instance, strongly argued that:

“No matter how careful you planned, these types of risks do happen.”

C₁ (2014) expressed an opinion that the nature of the Ghanaian culture made behavioural and relationship risks the most critical among all the risks mentioned. For instance, it is seen as:

“Very inhumane to see your fellow languishing in jail because of non-payment of a loan, not for anything, but just for a place to lay his or her head.”



Figure 6. 3: Typology of Risks in Housing Microfinance Delivery. Source: Field Survey, 2014.

6.5.5 Risk Mitigation Strategies used by Housing Microfinance Institutions

From the findings, it was observed that two out of the three respondent institutions made construction and technical assistance a compulsory and an integral part of their loan requirements. It shows that these institutions adopt the supporter approach rather than the provider approach in delivering HMF, as suggested by Hamdi (1995) and Metzel (2009). It also came to light that it was under the support of Habitat for Humanity (HfH) that these respondent institutions were able to adopt HMF. It means that construction and technical assistance constitute an integral part of HMF delivery in these establishments in the country. This is what C₂ (2014) said:

With the involvement of Habitat for Humanity, we designed and adopted Housing microfinance, and this indicates the industry holds prospects for adopting best practice regarding replicability and sustainability.

Interviewee C₁ (2014) also argued that one of the reasons for the inclusion of construction and technical assistance was to serve as a risk management mechanism. They achieved this by first making a careful budgetary and technical analysis of the costs of the construction or repair works. They aim at providing value added service that promotes greater client satisfaction. More important is the compulsory inclusion of

insurance cover for all HMF loans. All the respondent institutions, as can be seen in Table 6.2, instituted insurance cover for their HMF loans. Although the researcher could not ask whether the insurance normally covered both field officers and the constructed facility, it appears that Housing Microfinance Institutions usually insured only the loan amount. Another mitigation measure put in place, according to interviewee C₂ (2014) is a mechanism known as:

“Opportunity biometric identification system which helps to prevent fraud in HMF delivery.”

It employed fingerprint identification which is unique to each person and helps prevent impersonation of account holders and offers a total security for the accounts.

6.6 The Elements of Innovation in Housing Microfinance Delivery

In the course of the interview sessions, respondents were asked about whether they considered HMF as an innovative mechanism. All of them responded “Yes” and gave some reasons to justify their claims. These reasons are evaluated and summarised in Figure 6.4 below. Four elements were identified, which include the pricing, delivery, product design and market strategies usually adopted by Housing Microfinance Institutions in HMF delivery. According to respondents, pricing strategy, for instance, has helped ensure that their products are affordable and sustainable to both low-income groups and Housing Microfinance Institutions themselves. In C₂’s (2014) words:

“Adding housing microfinance to MFIs operations in the country will propel growth and enable scalability of other products and the industry”.

C₂ (2014) also added that:

“The combination of both individual and group lending strategies often adopted through either the [supporter or provider strategy] in housing microfinance delivery is very innovative”.

Another aspect that made HMF an innovative financing strategy is about the product design perspectives. The maturity periods of most HMF loans are between 1 to 5 years, as indicated in Table 6.2, with collateral substitute and security flexibility as a departure from the design of traditional housing finance products. C₃ (2014) considered such a departure as innovative. Lastly, although the housing market is an existing market, for most Housing Microfinance Institutions it is a new market, with variations in interest rates, and payment terms coupled with the requirement of intensive monitoring and evaluation. These variations are different from conventional mortgage financing in the housing market. All these amounted to some form of innovation to MFIs. The combined

effects of these innovations have enabled Housing Microfinance Institutions to help low-income groups to meet their housing needs affordably and sustainably. Building affordable and sustainably will mean enabling low-income groups' access to low-income housing finance to acquire assets.

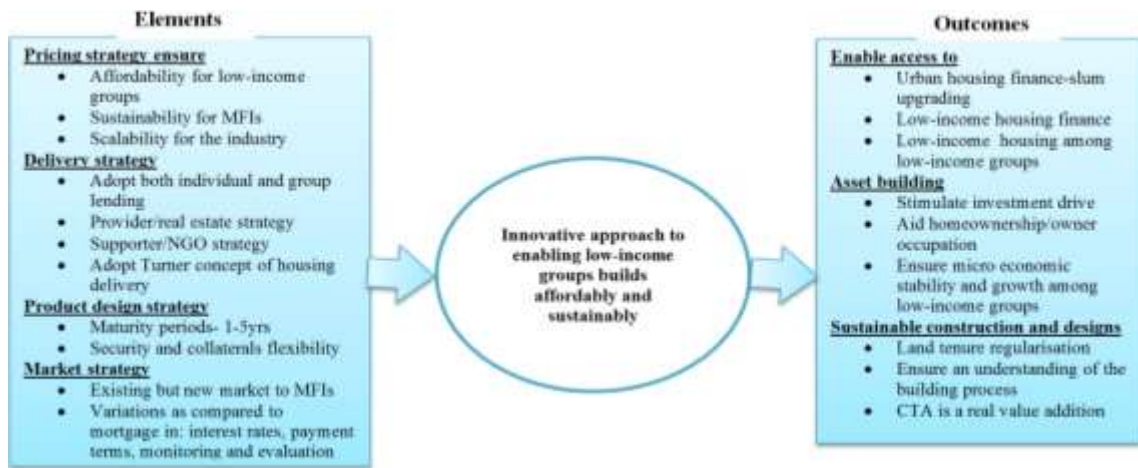


Figure 6. 4: Elements of Innovation in Housing Microfinance Delivery. Source: Field Survey, 2014.

6.7 Chapter Summary

In this chapter, the results and discussions of the findings from the qualitative interviews with Housing Microfinance Institutions have been analysed and presented. The chapter was structured and presented in line with the main aim and some of the objectives of the study. The analysis and conclusions from the demographic data about the respondent institutions revealed that they offer similar products, including HMF. It emerged that Housing Microfinance Institution's motivation for being in the housing market is as a result of social, economic and sustainability motivations. The barriers and constraints identified include indigenous, institutional and industry capacity, and credit and managerial and economic and financing barriers. The chapter also established the risk factors which include behavioural and relationship, economic and financial, institutional and regulatory, collateral and security risks and that the mitigation measures often adopted by Housing Microfinance Institutions are the inclusion of construction and technical assistance and insurance cover as part of the loan requirements. In the next chapter, the demand perspectives of HMF delivery are presented, using the FGD results and findings.

THE DEMAND FOR HOUSING MICROFINANCE IN GHANA: THE PERSPECTIVES OF LOW-INCOME GROUPS

7.1 Introduction

In Chapter Six, the motivations behind MFIs' entry into the low-income housing market were examined. This chapter explores the demand side perspectives of the motivations behind low-income groups' decisions on whether to use HMF to meet their housing needs. A series of FGDs were conducted to explore four out of the six research questions. These are reiterated as follows:

- What are the motivations behind low-income groups' decisions on whether to use HMF to meet their housing needs?
- How successful is HMF in meeting the housing needs of low-income groups?
- What are the barriers and constraints to the demand for HMF? and
- What are the potential risks associated with the use of HMF?

From the above questions, the chapter begins with an assessment of the demand side of HMF, in section two. The demotivating and motivating factors behind low-income groups' decisions on whether to use HMF are presented in sections three and four. Section five assesses the impact and success of HMF delivery in the country. In sections six and seven, the perceived barriers, constraints and risks associated with the use of HMF are also presented. Section eight reports the segmentation analysis of the demand of HMF and reveals some of the emerging issues arising from the FGDs. Finally, section nine presents the closing statement of the chapter.

7.2 An Assessment of the Demand for Housing Microfinance by Low-income Groups

As explained in the literature review in previous chapters, the demand constituent of HMF is essential for those in the low-income bracket who are gainfully employed. As shown in Table 5.2, it emerged that among the Non-HMF users, 24% (n=5) of them indicated their willingness to use HMF products to meet their housing needs in the future. Another 14% (n= 3) of this group of participants reported they were seriously considering applying for HMF loans within the next one or two years. This means that in addition to the 42% (n= 15) who had used HMF products before, a further 22% (n=8) of the participants were willing to use HMF to meet their housing needs. This brings the total demand in percentage terms to 64% (n=23) who had used or were willing to use HMF to meet their housing needs in the country. For evaluating their eligibility

requirements, the majority of the HMF users, 67% (n=10), reported submitting copies of their payslips as evidence of creditworthiness at the time they took out their loans. This is an indication that the majority of those who had used HMF before were formal sector workers. As earlier noted, among them was a retired educationist who had used an HMF product before retirement. The remainder of those who had used HMF, 33% (n= 6), stated that they were working in their businesses at the time they took out the loan to meet their housing needs. Moreover, 60% (n= 9) of the HMF users reported that they would still use the HMF facility anytime they were in need of such support. It appears that low-income groups in the formal sector are more likely to demand and use HMF facilities because they are often considered more creditworthy than those in the informal sector. One participant working in the informal sector said:

“These institutions often regard our business as unstable regarding location and income when it comes to borrowing for housing” (HMF user, K2, 2014).

From Table 7.1, it can be seen the total economically active urban population for both Greater Accra and the Ashanti region is about 3.81m (GSS, 2013). Out of this number, about 3.35m are either employed or self-employed. It could therefore be estimated, using this information and the data in Table 5.2 (where 64% of the participants had used or were willing to use HMF) that about 2.14 m of the economically active urban population who are either formally employed or self-employed in these regions are currently likely and willing to use HMF, if available, to meet their housing needs. At the national level, the estimated demand is likely to be around 5.51m of the economically active urban population, who might either be employed or self-employed in the whole country. In considering all of the economically active urban population among the two regions, the demand would be 2.44 m while at the national level it would be 6.64 m low-income households. The above analyses are shown in Table.7.1.

Table 7. 1: An estimated demand for HMF in Ghana

The economically active urban population and their likely demand for HMF to meet their housing needs in the two regions						
	National		Greater Accra Region		Ashanti Region	
	Nr	%	Nr	%	Nr	%
Total economically active urban population	10,373,678.00	100.00	1,849,114.00	17.83	1,963,012.00	18.92
Formally employed	1,886,241.00	18.18	647,518.00	34.33	389,051.00	20.63
Self-employed	6,718,491.00	64.76	1,025,617.00	15.27	1,284,409.00	19.12
Both Greater Accra and Ashanti Regions						
	National		Both Regions			
Total economically active urban population	10,373,678.00		3,812,126.00			
Formally employed	1,886,241.00		1,036,569.00			
Self-employed	6,718,491.00		2,310,026.00			
Both formally employed and self-employed	8,604,732.00		3,346,595.00			
The Estimated likely demand for HMF						
Estimated likely demand and willingness to use HMF by both formally employed and Self-employed	64% x 8,604,732.00		64% x 3,346,595.00			
	5,507,028.00		2,141,820.80			
Estimated likely demand and willingness to use HMF by the total economically active urban population in Ghana	64% x 10,373,678.00		64% x 3,812,126.00			
	6,639,153.92		2,439,760.64			

Source: Author's construct

Participants were asked about their sources of finance used to meet their housing needs, and the results are shown in Table 7.2. The majority of the participants, 50% (n= 18), relied on personal savings, followed by 42% (n=15) of them using HMF to meet their housing needs. Just 3% (n= 1) of the participants relied on remittances from relatives and friends, probably outside the jurisdictions where they were living. The remaining 3% (n= 1) sold other family properties to meet their housing needs.

Table 7. 2: The Approaches Adopted by Low-income Groups to Meet Housing Needs

Approaches to meeting housing needs		Number	Percentage
1	Personal saving	18	50.00
2	Family and friend's remittances	1	3.00
3	Sale of a property	1	3.00
4	Housing microfinance products	15	42.00
5	Others	1	3.00

Source: Field survey, 2014.

The above findings support the claim of Keivani and Werma (2001) who suggest that many people in the developing world finance their housing needs through unconventional means. It also means that many low-income groups in the country meet their housing needs through their savings and the use of HMF loans.

7.3 Demotivating Factors behind Low-income Groups' Decisions not to Use Housing Microfinance

The participants were asked whether they would like to use HMF products to meet their housing needs. This question aimed at gaining an understanding of the reasons behind

low-income groups' decisions not to use HMF. Some participants who indicated they would not want to use any HMF facility were further requested to state the reasons for their responses. As shown in Table 7.3, the most frequently cited reasons were unfavourable loan conditions 26% (n=7) followed by unfavourable interest rates 19%, (n=5) and the escalating cost of building materials and services in the country 19% (n=5). Other reasons cited were low income levels 11% (n=3), high cost of land 11% (n=3), and collateral and insurance issues 11% (n=3). These demotivating factors are discussed in detail below.

Table 7. 3: Demotivating factors behind Low-income Groups, decisions not to use Housing Microfinance Products

	Demotivating factors	Number	Percentage
1	Unfavourable loan conditions	7	26.00
2	Unfavourable interest rates	5	19.00
3	High cost of building materials	5	19.00
4	Low income level	3	11.00
5	High cost of land	3	11.00
6	Collateral and insurance issues	3	11.00
7	Other factors	1	4.00

Source: Field Survey, 2014.

7.3.1 Unfavourable Loan Conditions and High-Interest Rates

It emerged that unfavourable loan conditions and higher interest rates on HMF facilities demotivate many individuals within low-income groups from using them to meet their housing needs. The different repayment periods of between 1 to 5 years', conditions and high-interest rates of close to 42% on HMF loans, as reported by some participants mean that the monthly repayments will inevitably be very high. This makes the use of HMF products unattractive to low-income groups. Another factor that makes HMF loan repayment unattractive relates to the unstable exchange rate environment in the country. Participants were unanimous in agreeing that the unstable exchange rate regime has made the price of building materials very expensive since the majority of these materials are not locally produced. It means each time there is local currency depreciation; the low-income borrower is required to pay more Ghanaian Cedis for the same building materials that would have cost less in the previous month. However, the salary of the low-income borrower is not likely to be adjusted whenever the Ghanaian Cedi depreciates. Consequently, to the local low-income builder, high depreciation and inflation mean that his or her real income is also constantly declining, which will further affect his or her ability to demand HMF loans on a sustainable basis. In such a situation

it takes a longer time to complete the house, which also affects the quality in many ways.

The use of borrower savings by Housing Microfinance Institutions as the basis of assessing the qualification of low-income individuals for HMF products is also not attractive to many of them. It emerged that these participants from low-income groups expected Housing Microfinance Institutions to do more in this regard, by considering other collateral alternatives instead of using their hard-earned savings. For some participants, the use of their savings as collateral could be enough to meet some aspects of their housing needs, if they were to use these sums of money, which are usually locked up in the name of collateral. The above point was captured in a statement by one of the participants as:

“Although I prefer to save and build, to use what I have already saved as collateral or security will amount to cheating. I could do some work on the building with that money instead of saving them for a microfinance company”
(Non-HMF User, A3, 2014).

The above findings support an earlier argument by Durban et al. (2002), who suggest that unfavourable loan conditions and terms of repayment considerably affect people in preventing them from accessing finance in other jurisdictions.

7.3.2 Low-income levels

Given the high incidence of poverty in many DCs, such as Ghana, it was anticipated that low-income levels would feature as one of the demotivating factors for the non-use of HMF by low-income groups. As many as 11% (n=3) of the participants cited low income as a challenge. The current minimum wage of Gh¢ 7.00 with an exchange rate of Gh¢3.50 to the US dollar mean that the daily minimum wage is barely 2.00 US dollars (BOG, 2015a). This is a clear indication that the income levels of the majority are very low in the country. According to some of the participants, the cost of owning a house is far higher than the salary of many of them, even in the formal sector. Thus, the income levels affect demand for HMF as well as its affordability among low-income groups. The above findings point to the fact that the income levels of low-income groups are critical. This is because Housing Microfinance Institutions consider income when analysing HMF affordability. The findings support the assertion by Biitir (2008) that HMF affordability should be broadly examined ‘regarding the cost of the facility-to-income affordability of the borrower’.

7.3.3 Collateralisation and Insurance in Housing Microfinance Loan Facilities

Another critical demotivating factor in the demand for and use of HMF by low-income groups which emerged during the discussions was the issue of the collateral and insurance cover often demanded by Housing Microfinance Institutions. The majority of participants viewed the methodology of assessment for such collateral by Housing Microfinance Institutions as very detrimental. Although low-income groups have diverse forms of collateral, as discovered in Chapter Six, some of these types of collateral lack the formal documentation which Housing Microfinance Institutions often require as the easiest way of assessing them as securities. The above findings support De Soto's (2001) argument that low-income groups normally have equity in their properties but lack 'formalisation'. To overcome such challenges, Housing Microfinance Institutions have devised an innovative mechanism that requires the borrower to secure insurance cover for his or her loan products. The cost of obtaining the insurance is usually incorporated into the loan repayment and the interest rate component. The practice, as observed in Chapter Six, seems to be working successfully regarding increasing repayment rates. From the Housing Microfinance Institutions' perspectives, such a strategy tends to remove credit limitation, as the insurance company will be responsible for any default. However, in the views of the participants, they are sometimes not even aware of those charges and treat them as "*3ka a ahinta*" (hidden charges) levied on them. Hence, such practice demotivates low-income groups when it comes to the use of HMF for housing, particularly loans coming from Housing Microfinance Institutions. One participant 4% (n= 1), noted that other factors, although not critical, also centred around the complexities in housing loan application procedures (Appendix 18) and mentioned the cultural perspective of being regarded among peers as being poverty-stricken as being demotivating in the use of HMF in the country.

7.4 Motivations behind Low-income Groups' decision to Use Housing Microfinance

The motivational factors which emerged from the participants' perspectives on the use of HMF by low-income groups involved many viewpoints. An understanding of these viewpoints can help create a working environment in which Housing Microfinance Institutions will provide safe, relatively cheap and secure low-income housing that is free from threats of demolition and third party interference. According to the data provided by the FGDs, the reasons behind low-income groups' decision to use HMF could largely be categorised into four emergent but related themes. These themes and

their rate of occurrences during the discussions are tabulated in Table 7.4 below. These themes reflect the 'sense' participants made of their intention to use HMF. While these factors are presented as distinct in the various categories, the section also demonstrates that quite often individuals from low-income groups have more than one reason for approaching Housing Microfinance Institutions for assistance in any form.

Table 7. 4: Themes and their Rates of Occurrence

	Themes	Frequency of Code	Percentages of usage
1	Homeownership aspiration	10.0	32.00
2	Flexibility and attractiveness of HMF	8.0	26.00
3	Peer pressure as a security	7.0	23.00
4	Housing typology and needs	6.0	19.00

Source: Field Survey, 2014.

7.4.1 Homeownership Aspirations among Low-income Groups

Ideologically, homeownership is portrayed as a social and cultural right among many citizens in Ghana. The general feelings expressed by participants indicate that homeownership symbolises one's achievement and status in Ghanaian society. Thus, when Housing Microfinance Institutions consider lending to low-income groups, this accordingly conveys and establishes some degree of credibility. One significant benefit of homeownership, according to the participants is that it encourages family ties and helps them to flourish where naming, funerals and other gatherings take place in Ghana. One participant said:

“The last time we were having a funeral in my village due to lack of a decent place, we had to plead with a neighbour to offer us his newly refurbished house to accommodate our visitors. This neighbour became the centre of attraction because all the visitors stayed in his house” (Non-HMF User, A2, 2014).

Moreover, another also said:

“Having a home of your own does not only accord you some respect in this part of our world but also serves as an empowerment tool through which you build some other assets” (HMF User, K1, 2014).

Two variables were identified as very influential in determining the housing tenure choice of those in low-income groups. These are income and family size. They influenced low-income individuals' housing tenure choice regarding either to rent or build their own home. Low-income groups' housing tenure choices also influenced the demand for HMF, as shown in Table 7.5 below. While those with lower income said they would prefer renting, those with higher income indicated they would prefer to

build their houses. Regarding family size, those with larger family size indicated they preferred or would like to build their house rather than to rent. The desire for home ownership among low-income groups, regardless of other factors such as high-interest rates or risk, serves as a driving force towards the demand and use of HMF. Close to 32% (n=10) of participants believed that their aspiration for homeownership was a compelling factor for the use of HMF.

Table 7. 5: Homeownership Aspirations among Low-income groups

Homeownership aspirations	Tenancy type	Income levels Gh c			Family size	
		≤ 500	≥ 500 ≤ 1000	≥ 1001 ≤ 1500	≤ 3 households	≥ 3 ≤ 6 households
	Rental	20	0	0	5	0
	Own	0	10	6	15	16
Total		20	10	6	20	16

Source: Field Survey, 2014.

7.4.2 Flexibility and Attractiveness of Housing Microfinance Products

It was found that the flexibility and attractiveness of HMF products will attract low-income groups to use them to meet their housing needs. Flexibility regarding giving low-income groups the opportunity to negotiate different amounts and repayment terms or schedules which respond to their present income and yet meet their housing needs will serve as a motivation. Participants agreed that some Housing Microfinance Institutions had been able to give them the opportunity to tender in flexible collateral, which, in their view, had helped them to get access to finance. An HMF User, A3 (2014), asserted that such practices if continued, could contribute to increasing the demand for HMF products in the country. HMF could also be considered attractive regarding its supply on a continuous basis to low-income groups. Most of the participants believed that the continuation of Housing Microfinance Institutions in advancing loans towards their incremental building process would serve as an incentive. According to one participant:

“Having a financial assistance on an incremental basis will encourage you to repay on time and access another” (HMF User, A2, 2014).

Another participant also added:

“Having a debt hanging on your neck will compel you to think about that instead of drinking or doing other unnecessary things” (HMF User, K2, 2014).

It is therefore concluded that the flexibility and attractiveness of HMF products will create demand in the low-income group segment of the housing market in the country.

Almost 26% (n=8) of the participants agreed that the flexibility and attractiveness of HMF was a motivating factor in their decision to use it to meet their housing needs.

7.4.3 Peer Pressure as a Security

Having access to an HMF loan on an instalment basis, when linked to both monetary inputs and non-monetary inputs, such as social capital, has the potential to leverage low-income groups' resources. In the view of participants, the synergy of HMF loans and low-income groups' social capital can speed up low-income individuals' progressive building process in a more sustainable way. To further elaborate on this point, a participant (HMF User K2, 2014) stated that their ability to organise themselves through the network of friends, in the form of labour and local building knowledge, serves as a motivation. In specific terms, labour is a critical input in the production process of housing development for low-income groups. The above sentiment is consistent with Mankiw et al. (1992), who state that the accumulation of labour will lead to an increase in intangible capital, and this will deepen and accelerate the building process of low-income groups in DCs. This social network of friends helping each other is further demonstrated in Appendix 3, where a group of friends are seen helping with an incremental self-help building process of a colleague in Kumasi. Almost 23% (n=7) of the participants agreed that peer pressure could serve as a security and encourage the demand for HMF in the country.

7.4.4 Housing Typology and Housing Needs

Another factor that emerged from the discussions was that participants' preferences and aspirations for a particular type of housing and home ownership ranged from a two-bedroom single storey flat to a maximum of a six-bedroom single storey flat. According to some participants, these preferences and aspirations were influenced by their family size, income level and employment status. From Table 7.6 below, it can be seen that low-income individuals with monthly income levels of close to Gh¢ 500.00 would prefer one bedroom. While those earning up to Gh¢, 1,500.00 would prefer a six-bedroom flat. Similarly, those with households of less than three people preferred a two-bedroom flat and those with households of more than three people desired six-bedroom units. Depending on the income level and the number of households, this preference and desire could stimulate housing consumption, which could further increase production in the country. Besides the influences of income and family size driving these preferences and desires, other factors, such as the shift from communal living to a nuclear family system of living, also emerged from the discussions. Having identified the motivators

and demotivators for low-income groups' decisions to use or not to use HMF, the next section assesses the potential impact of HMF in meeting the housing needs of low-income groups.

Table 7. 6: Preferred Housing Typologies among Low-income Groups

Preferred Housing Type	No of rooms	Income levels Gh ¢			Family size	
		≤ 500	≥500 ≤1000	≥1001 ≤1500	≤ 3 households	≥3 ≤ 6 households
	1-Bedrooms	20	0	0	5	0
	2-Bedrooms	0	10	0	15	0
	6-Bedrooms	0	0	6	0	16
Total		20	10	6	20	16

Source: Field Survey, 2014. 3.5Gh ¢ =1 dollar

7.5 The Impact and Success of Housing Microfinance in Meeting Low-income Groups' Housing Needs

The extant literature indicates that the impacts of microfinance, in particular, can be measured in both social and economic terms. Some of the findings from the interviews reported in Chapter Six also point to this fact. However, in an exploratory study of this nature, assessing the impact based on these past models may not be only difficult but inexpedient to the objective of this study. The current study evaluated the impact and success of HMF based on the perspective of the physical contributions it has made in alleviating the housing needs of low-income groups in the study regions. As noted in Chapters Three and Six, there are many and varied intervention pathways through which HMF and its related services could impact on the housing and building process of low-income groups.

It was appropriate and convenient to assess the impact and the precise effectiveness of HMF demand by low-income groups by using HMF intervention pathways. When asked about the aspects of housing needs for which they had used HMF, HMF users gave varied responses. These responses also illustrate some of the common intervention pathways that HMF products have made which have had an impact in the low-income housing value chain in the country, as shown in Table 7.7. However, this is far from being exhaustive. In quantitative terms, very few people have benefitted from HMF, as can be seen in Table 5.2 in Chapter Five, compared to the number of individuals in low-income groups who are likely to be in need of HMF. However, the field observation notes and the photographs shown in Appendix 4 indicate that there has been some physical impact regarding the provision of housing through the use of HMF. The most

area of intervention with most impact, in the opinion of participants, includes financing the entire construction process of low-income groups, including land acquisition and its related costs. Further analyses and detailed discussions of the above pathways are presented in the subsequent subsections of the chapter.

7.5.1 Financing the Entire Construction Process of Low-income Groups' Housing Needs

Financing the whole construction process involves the provision of finance and financial advice to low-income groups to meet their housing needs. It enables them to acquire land and building materials, pay labourers and meet other statutory obligations towards realising their housing needs. During the FGDs, it became apparent that almost 67%, (n=10) of the participants used HMF products to meet the above housing needs. This indicates that low-income groups used HMF largely to support the financing of their home improvement and new construction than any of the other intervention pathways such as land acquisition, improving housing infrastructure among others as shown in Table 7.7. As shown in Appendix 3, different buildings which were started in 2000 and 2004 are now at the finishing stages of construction through the use of HMF. Appendix 4 also shows a substructure work and a newly completed low-income house for an HMF beneficiary in Kumasi.

7.5.2 Land Acquisition and its related Cost

As stated earlier, another pathway of HMF is through the acquisition of land. Land acquisition and tenure became a major issue for discussion during the FGDs, due to its centrality in the process of acquiring a house. Some participants suggested that their ability to purchase a piece of land served as motivation to start the building process. In the view of one participant:

“I was able to secure my land documentation through the help of the project manager of one of housing microfinance institutions. So, in my opinion, housing microfinance intervention is a very flexible way of meeting some aspects of my housing needs” (HMF User K1, 2014).

According to another participant, land acquisition is also important because Housing Microfinance Institutions often insist on proper land documentation before lending to them. Almost 20% (n=3) of the participants' stated they had used HMF to acquired land and its documentation.

7.5.3 The Provision of Housing Infrastructure, Construction Technical Assistance and Other Forms of Assistance

Another important pathway of HMF intervention was the improvement in the housing infrastructure needed by low-income groups. This aspect involves the provision of drains, electricity and clean water. From the results, it was found that 13% (n= 2) of participants had used HMF to drilled boreholes on their properties. Another pathway of HMF is the opportunity to offer credit for building materials suppliers on behalf of low-income groups. All the participants indicated that they had never used construction and technical assistance services and building materials supply credits, probably because they were not aware that such services are often part of the loan. It also means the demand for HMF among low-income groups is mainly for financing the complete construction of the house, land acquisition and housing infrastructure improvements.

Construction and technical assistance involve the provision of technical advice for the improvement in the quality of the housing, as well as meeting loan requirements (pre- and post-loan requirements). It ensures getting the best value for the quality and quantity of building materials and meeting city authorities' planning regulations and requirements. The majority of participants stated that they would prefer an HMF loan with construction and technical assistance as part of it. However, there were divergent views on the cost of construction and technical assistance. Some considered it as “*3ka a ahinta*” (hidden charges) even though, from the interview results reported in Chapter Six, it appeared that such charges are usually very minimal, about 0.05 percent of the entire service provided by Housing Microfinance Institutions.

Table 7. 7: Role of Housing Microfinance in meeting the Housing needs of low-income groups

Areas of intervention	Description	No benefitted	Percentage
Financing the entire construction	Support in financing home improvement, repair works and new construction	10	67.00
Land acquisition	Assist low income groups in securing land and tenure	3	20.00
Improving housing infrastructure	Assistance in securing or improving housing essential services	2	13.00
CTA	Provision of housing design and advice, building services or referrals to qualified building professionals	0	0.00
Building materials suppliers	Offer credit facility to suppliers of building materials on behalf of low income groups	0	0.00
Total		15	100.00

Source: Field Survey, 2014.

7.6 The Perceived Barriers, Constraints and Opportunities in the use of Housing Microfinance

Participants in the focus groups were further asked questions (see Appendix 16) to elicit specific issues that they considered as barriers to the use of HMF. The aim was not just to ascertain only the barriers, but also solicit solutions towards the improvement of HMF delivery in the country. Six factors emerged as the most challenging during the discussions. These challenges in their order of importance to participants were: low-income, stringent eligibility requirements, restrictive HMF loan terms and conditions, restrictive building codes and regulations, lack of HMF financial knowledge and competency, and lack of supplier and customer protection laws and regulations. The detailed discussions on each of these factors are below.

7.6.1 Low-income

The major barrier, according to some of the participants, was the amount of their income. The low level of income, coupled with lack of innovative financial institutions to assist low-income groups in improving their housing needs, were some of the significant barriers. This finding seems to suggest that there is a significant relationship between the income levels of low-income groups and their willingness to access HMF products. According to the FGD participants, their average household monthly income was around GhC 500 per month (\$143). Such a low-income level meant many of them were unable and unwilling to afford building materials and pay wages of construction workers for any significant home improvements or construction work on their buildings.

7.6.2 Stringent Eligibility Requirements

Eligibility requirements were considered to be of importance for those in the FGDs who had used HMF to meet their housing needs. It emerged that Housing Microfinance Institutions require one or more of the following, which some individuals from low-income groups considered difficult to produce:

- Maintaining a savings account for at least six months is a must
- Demand for a specific minimum income level
- An assurance of economic stability through steady employment or regular savings.

Participants described such requirements as very detrimental to their willingness to access HMF. These findings are also similar to those in earlier work by Ferguson (2003), who argued that eligibility criteria in the delivery of HMF hamper its scalability in some jurisdictions.

7.6.3 Restrictive Housing Microfinance Loan Terms and Conditions

Another interesting finding which emerged from the FGDs was the effect of restrictive loan terms and conditions. Some Housing Microfinance Institutions require a certain amount of savings as a guarantee on the loan, which low-income groups consider as unfair, as these savings could instead help with some aspects of the building process. Accordingly, these representatives of low-income groups were of the view that HMF loans attract high-interest rates due to the prevailing high demand and low supply. Another condition is that Housing Microfinance Institutions are often reluctant to lend to new clients. The above behaviour could be attributed to the newness of HMF in the Ghanaian market, and therefore many of these institutions are very careful and operate within the safest sector of the market.

7.6.4 Restrictive Building Codes and Regulations

Building codes are crucial in the area of public health, safety and to the welfare of the population. They are meant to maintain and define the quality of the residential and industrial environment in connection with the quality of construction works and services. However, some of the participants were emphatic on the effect of building codes as a barrier to the use of HMF, as the following quotes illustrate:

Building inspectors, of late, have been very strict, even though some of these codes are outdated; they still have some effect on our house building process (HMF User K2, 2014).

The bureaucratic red tape and endless petty regulations frustrate and impede our housing dreams. So if these loan companies could add this aspect to the loan, it will help and facilitate things very fast for us (Non-HMF User A3, 2014).

The above means that there is the need for collaboration between Town and Country Planning Authorities, Housing Microfinance Institutions and low-income groups, if HMF is to be replicated and delivered on a large scale.

7.6.5 Ineffective Supplier and Consumer Protection Laws and Regulations

MFTransparency (2011) reports that consumer protection efforts are beginning to gain importance in the Ghanaian microfinance sector, with institutions established to spearhead issues of consumer protection. One such institution is the investigation and consumer reporting office, under the auspices of the Bank of Ghana, mandated to promote and educate consumers on their rights and responsibilities. However, many of the participants seemed not to be aware of such an opportunity. Other related factors

discussed in the FDGs relate to certain values and beliefs held by low-income groups regarding debt, which are barriers to the demand for HMF among the participants. A participant said:

“I have heard of this housing microfinance idea, but I just don’t want to buy into it. I mean... how do you think people will take me for when they get to know that I took a loan to put up my house?” (Non-HMF User K3, 2014)

During the discussions, some participants stated they were simply not happy with the entire concept of using loans advanced in stages to build their houses. According to them, their peers would see such a concept as a lazy way of building.

7.7 The Perceived Risks Associated with the Use of Housing Microfinance by Low-Income Groups

Managing risk successfully from both the supply and demand sides of HMF will help influence the outcomes of HMF in meeting the housing needs of low-income groups. Three broad themes emerged under risks. These are economic, socio-cultural, and construction and technical risks. These themes are discussed in detail below.

7.7.1 Economic Risks

Most of these participants from low-income groups felt there was a risk of falling prey to predacious MFI lenders. In recent times, many depositors had had challenges in accessing their deposits as a result of the failure of some MFIs in the country to honour such payments (Ghana Business News, 2013; Myjoyonline.com, 2015). Accordingly, participants were of the view that, with the absence of a consumer law governing HMF loans, they risk losing even their mandatory savings, pension and provident funds, which are sometimes used to safeguard HMF loans. Moreover, due to illiteracy, people from low-income groups sometimes fall prey to HMF loan officers charging unofficial “fees” on housing loans. Participants also reported that sometimes HMF loan officers still collect payments on HMF loans that might have been already officially paid and written off. Participants across all the groups were also emphatic about the interest rates paid on their savings. It emerged that interest paid on savings is always very low compared to what they pay on a loan facility. This phenomenon, most of them argued, constitutes economic loss on their savings.

7.7.2 Socio-cultural Risks

The second risk factor, although not very critical to low-income groups was the socio-cultural risk perspectives on the demand for and use of HMF in the country. The

findings from the discussions point to the fact that one may lose his/her identity, in the case of a group lending situation, because the group characteristics overshadow the individual borrower's unique character. Although Woolcock (2001) for instance, suggests that such a situation rather serves as a risk mitigation mechanism, in fact, it favours the Housing Microfinance Institutions and not the low-income borrower. In the opinion of one participant:

It is sometimes very embarrassing when you are not able to pay or missed a particular payment schedule, especially when you are in a group (Non-HMF User A3, 2014).

Other socio-cultural means of collateralization by Housing Microfinance Institutions, such as the insistence on co-signers and peer pressure arrangements attached to HMF loans, could pose a risk of being ridiculed by peers. It also emerged that some individuals in low-income groups do not want to deal with Housing Microfinance Institutions owing to some differing socio-cultural ideologies. Some argue that the loan recovery methods adopted by some Housing Microfinance Institutions seem too abusive and embarrassing, and therefore they would not want to associate themselves with a loan for housing.

7.7.3 Construction and Technical Risks

Construction and technical risks arise during and after the home improvement, repair or construction processes. In the case of Housing Microfinance Institutions that have aligned themselves with the provider strategy in delivering HMF, it could lead to low-income borrowers facing many risks. From the field observations, it was clear that such risks arise as a result of the construction activities not meeting the health and safety regulations, as well as state regulatory standards. Poor selection of building materials leads to waste of resources in terms of time, quality, cost and the health and safety of the inhabitants. The uncompleted building is sometimes also subjected to adverse or inclement weather conditions, which can result in much rework. Poor site selection and supervision can also lead to demolition and being vulnerable to natural disasters. Appendix 4 depicts low-income groups' housing at various stages, without services linked to these areas. The owners of these structures risk losing their investments, due to deterioration caused by rain and the threat of demolition by city authorities, as can be seen at the left lower end of the illustration in Appendix 5.

7.8 Segmentation Study of Housing Microfinance Demand in Ghana

In section 7.1, an attempt was made to give a general picture of HMF demand in the country. However, many characteristics of low-income groups in Ghana might alter the profile of these potential clients if the study had covered the entire country. The key and most important segmentation variables identified from the analyses of the FGDs are individual/household income and employment status, age and family size and the area of residence and social ties. In the following sub-sections, the effects of these variables on HMF demand, as shown in Figure 7.1, are discussed. There is the possibility of overlapping and interrelationships between some of these variables.



Figure 7. 1: Segmentation Variables for Housing Microfinance Demand. Source: Field Survey, 2014.

7.8.1 Segmentation by Income Levels

Most low-income groups in the country who are slightly above the very lowest income level, thus, above the absolute poverty line of earning more than \$1.83 per day will prioritise housing ownership, depending on their earnings level (GSS, 2014). While those with higher income will prefer HMF for new construction, those with lower income will prefer home improvement and repair works. However, from the FGD results, there is an indication that the potential demand is among those with low income, but above the poverty line, who are self-sustainable, and those in the middle-income brackets. These groups of people usually have difficulties finding suitable commercial finance or mortgage products in the cities in the study. It is also observable that low-income groups with higher income, good employment status and higher educational qualifications, more often than not can acquire land and with proper documentation on the land use and structured property rights in the country. Such groups often regard HMF loans as small to meet their housing needs and do not benefit from mortgage finance either.

7.8.2 Segmentation by Age and Family Size

Most participants viewed their age and family size as compelling or motivation factors for their demand for HMF to meet their housing needs. The older one gets, the more one needs to own a place of one's own. Likewise:

"The larger my family size of about six people, the more there is the need for a place called my own than to rent from someone" (Non-HMF User K2, 2014).

However, the fear of not being able to repay before retirement was a point raised by some of the participants. One was quick to add that even

"If I can put up the building, depending on my children's age, they can continue to contribute to pay off the debt" (HMF User A2, 2014).

7.8.3 Segmentation by Geographical Location and Area

The next most important factor driving the demand for HMF in the country is geographical and regards the locality of residence. Those within the inner cities tend to demand HMF for housing repairs and improvement, while those around the periphery of the towns construct new houses. This observation suggests demand is often influenced by city planning regulations and restrictions, as well as the non-availability and affordability of land within reach of low-income groups in the inner cities. Many reasons behind the demand for HMF are entirely different in nature in the Greater Accra region as compared to the Ashanti region. Those in the Ashanti region were much more likely to use HMF for land regularisation and new construction than their counterparts in the Greater Accra region. The price of land in the same area in the Greater Accra region is also higher than in the Ashanti region. The Greater Accra region is also more urbanised, and planning regulations are more stringent than those in the Ashanti region.

7.9 Chapter Summary

This chapter used the findings from FGD sessions with 36 participants from low-income groups to establish the demand characteristics, type of housing needs, and demotivating and motivating factors among low-income groups in using HMF in the country. The chapter determined that low-income groups mostly use and intend to use HMF to finance new construction and land acquisition, due to the strong desire for individual homeownership among them. Low-income groups' motivation for using HMF primarily stem from their desire for homeownership and the flexibility and attractiveness of HMF products. However, HMF delivery has not made much impact either in qualitative or quantitative terms in meeting low-income groups' housing needs in the country. This is due to barriers such as low-income and stringent HMF eligibility

requirements. The risks associated with the use of HMF include economic, socio-cultural and construction and technical risks. In Chapter Nine, these findings are further used to draw some policy recommendations on how to improve the effectiveness of HMF delivery in the country.

EVALUATING MICROFINANCE INSTITUTIONS' INTENTION TO ENTER THE HOUSING MARKET IN GHANA

8.1 Introduction

The supply and demand of HMF by both Housing Microfinance Institutions and low-income groups in the developing world have become increasingly important to these constituents. Attracting new suppliers and retaining existing MFIs in the housing market is very critical to the success of both microfinance and housing industries. This chapter applied the Push-Pull-Mooring model of migration theory to advance the understanding of the factors that can influence MFIs' intention on whether to enter the housing market in Ghana. Following the migration theory, the chapter empirically examined three categories of motivation for MFIs' intention: Push (demotivators), Pull (motivators), and Mooring (moderators) factors. The variables under these factors are discussed in details in Chapters four. The chapter is segmented into five sections. Section two contains the descriptive statistics of variables of the three categories of motivation. Section three presents the FA of the predictor(s) of the Push-Pull-Mooring factors for MFIs' intention on whether to enter the housing market. In section four, the Push-Pull-Mooring model is analysed, and its outcome and implications noted. Section five summarises the chapter.

8.2 The Variables on Microfinance Institutions' Intention on whether to enter the Housing Market

This section empirically examines the variables under the three categories of motivation for MFIs' intention to enter the housing market. These variables are evaluated using the descriptive analysis to ascertain the most important ones among the 37 variables identified in Table 4.1.

8.2.1. Demotivating Variables for Microfinance Institutions' Intention not to enter the Housing Market

The first class of motivation on MFIs' intention is concern with the demotivating variables that could influence their decision not to engage in the housing market. The mean score values are used to evaluate them. Respondents rated 7 out of the 13 variables that were considered as important. They were impartial on 6 of the variables. However, this position could as well be interpreted as being important looking at their mean values which are all above 3.0 and could be rounded up to 4.0. The seven most important demotivating variables in order of importance were capital lock-up in HMF

delivery, high-interest rates in the country, high cost and prices of land, high cost and prices of building materials, lack of sufficient collaterals from low-income groups and the different interest rate required on HMF loans. The results are presented in Table 8.1 and their effects are discussed in Section 8.2.4 below.

Table 8. 1: Demotivating Variables for Microfinance Institutions' Intention not to enter the Housing Market

Coding	Demotivating Variables	Nr	Mean	SD	SKN	Rank	Remarks
Demo3	There is the possibility of capital lock-up in delivery HMF	125	4.45	0.80	-1.76	1 st	Agreed
Demo9	High interest rates in most developing countries	125	4.19	0.84	-1.21	2 nd	Agreed
Demo4	High cost and price of land	125	4.16	0.87	-1.20	3 rd	Agreed
Demo8	Ineffective collateral registry	125	4.14	1.03	-1.12	4 th	Agreed
Demo6	High cost and prices of building materials	125	4.12	0.89	-1.34	5 th	Agreed
Demo7	Lack of sufficient collaterals	125	4.10	0.93	-1.30	6 th	Agreed
Demo10	Unequal interest charges	125	4.06	1.16	-1.12	7 th	Agreed
Demo12	Lack of funding	125	3.89	1.01	-0.63	8 th	Neutral
Demo5	Lack of security and tenure	125	3.85	1.07	-0.57	9 th	Neutral
Demo13	Low income levels of low-income group	125	3.70	0.93	-0.24	10 th	Neutral
Demo2	Delivery HMF is very risky compare to other products	125	3.67	1.13	-0.67	11 th	Neutral
Demo11	Higher interest rate on HMF	125	3.57	1.19	-0.55	12 th	Neutral
Demo1	High fold-up rate	125	3.47	1.18	-0.16	13 th	Neutral

Source: Field Survey, 2014. Scale: 1-strongly disagree, 2- disagree, 3-neutral, 4- agree, 5- strongly agree.

8.2.2. Motivating Variables for Microfinance Institutions' Intention to enter the Housing Market

The second class on the motivation of MFIs' intention is concerned with the motivating variables that could influence their decision to enter the housing market. These variables were also evaluated using the mean scores. The results show that respondents agreed on seven variables as significant motivating variables. The least average score among them was 3.95 which could be rounded up to 4.0 meaning respondent agreed on almost 9 out of the 12 variables being important motivators that could attract them into the housing market.

These variables in order of importance are firm's desire for expansion, the potential size of the market, low-income housing market having the potential for MFIs growth, the availability of local resources, low-income housing market having unique features and products, low-income housing offers opportunity for leveraging resources and the preference for homeownership than renting among low-income groups. Respondents were impartial about MFIs appetite to increase firm profit and high demand for low-income housing. Moreover, respondents could not agree on variables such as flexibility of entry, flexibility of risk and knowledge sharing and good policy towards

homeownership as motivating variables. These results are also presented in Table 8.2, and their effects are further discussed in Section 8.2.4.

Table 8. 2: Motivating Variables for Microfinance Institutions' Intention to enter the Housing Market

Coding	Motivating Variables	Nr	Mean	SD	SKN	Rank	Remarks
Moti7	Firms desire for expansion	125	4.44	0.76	-1.62	1 st	Agreed
Moti1	Potential size of the housing market	125	4.31	0.88	-1.59	2 nd	Agreed
Moti8	Housing market potential for MFIs growth	125	4.21	0.86	-1.28	3 rd	Agreed
Moti5	Availability of local resources	125	4.15	0.74	-1.22	4 th	Agreed
Moti6	Housing market has unique features and products	125	4.14	0.78	-1.09	5 th	Agreed
Moti9	Market opportunity for leveraging resources	125	4.10	1.03	-1.19	6 th	Agreed
Moti3	Preference for homeownership than renting	125	4.02	0.99	-1.19	7 th	Agreed
Moti4	Appetite to increase firm profit	125	3.98	0.99	-0.98	8 th	Neutral
Moti2	High demand for low-income housing	125	3.95	1.08	-0.98	9 th	Neutral
Moti11	Flexibility of entry	125	2.03	1.07	1.02	10 th	Disagree
Moti12	Flexibility of risk and knowledge sharing	125	1.98	0.96	1.21	11 th	Disagree
Moti10	Good policy towards homeownership	125	1.73	0.89	1.47	12 th	Disagree

Source: Field Survey, 2014. Scale: 1-strongly disagree, 2- disagree, 3-neutral, 4- agree, 5- strongly agree.

8.2.3. Moderating Variables for Microfinance Institutions' Intention on whether to enter the Housing Market

The third class of motivation on MFIs' intention is concerned with the moderating variables that could either positively or negatively influence their decisions on whether to enter the housing market. These variables were also evaluated using their mean scores. Twelves variables were presented to respondents as moderating variables between the effects of both demotivating and motivating variables. The 12 variables that were rated as important include client trustworthiness, sound economic policies, efficient housing policies, effective regulatory agencies, knowledge of clients' social tiers, and MFIs' ability to afford construction and technical assistance services. Other important variables were the availability of construction and technical assistance providers, peer recommendations and the importance of construction and technical assistance in HMF delivery. The results are presented in Table 8.3, and their effects are also discussed in Section 8.2.4 below.

Table 8. 3: Moderating Variables for Microfinance Institutions' Intention on whether to enter the Housing Market

Coding	Moderating Variables	Nr	Mean	SD	SKN	Rank	Remarks
Mode1	Client trustworthiness	125	4.10	0.85	-1.00	1 st	Agreed
Mode6	Sound economic policies	125	3.86	1.03	-0.79	2 nd	Neutral
Mode4	Effective housing policy	125	3.83	0.96	-0.78	3 rd	Neutral
Mode5	Effective regulatory agencies	125	3.80	1.14	-0.87	4 th	Neutral
Mode2	Knowledge of clients social ties	125	3.71	0.94	-0.69	5 th	Neutral
Mode8	Ability to afford CTA services	125	3.63	1.18	-0.95	6 th	Neutral
Mode7	Availability of CTA providers	125	3.62	1.02	-0.67	7 th	Neutral
Mode3	Peer recommendations	125	3.55	0.94	-0.42	8 th	Neutral
Mode9	CTA is important in HMF delivery	125	3.51	1.15	-0.91	9 th	Neutral
Mode10	Low-income groups willingness to pay HMF loans	125	3.33	1.15	-0.15	10 th	Neutral
Mode12	Trust in group membership	125	3.28	1.04	-0.19	11 th	Neutral
Mode11	Low-income groups having diverse collaterals	125	3.01	1.04	-0.10	12 th	Neutral

Source: Field Survey, 2014. Scale: 1-strongly disagree, 2- disagree, 3-neutral, 4- agree, 5- strongly agree.

8.2.4. Discussion on the Descriptive Analysis

Two possible realities can compel MFIs to support the incremental building process of low-income groups. One reason is that, MFIs inability to finance a one-off construction of a house and a preference to fund housing activities progressively. Secondly, low-income groups inability to afford a one-time payment for a complete house due to their low incomes. The current market condition in the country depict a lack of financing gap for MFIs, and therefore they consider financing low-income housing and its related activities, unlike a long-term investment that will not guarantee immediate returns. Capital lock-up was rated high with a mean score of 4.45 among the demotivating variables by respondents. The above results attest to the fact that it is too early for most MFIs looking at their capital structure to enter the housing market since it will take a long time to realise some returns on their investment.

High-interest rate was another variable that received a high rating among respondents. At the date of the field survey, the effective interest rates on Government of Ghana 91 days, Treasury Bills was around 26% (BOG, 2014). This result is in agreements with (Mensah and Abor, 2012) who suggest that in most DCs, they charge abnormal high-interest rates as compared to their counterparts in developed economies. Many studies (see Bawumia et al., 2005; Aboagye et al., 2008) had also confirmed this trend that Ghana is one of the countries with the highest interest rates in the world. This phenomenon has grave implications for the functioning of the private and informal sectors of such economies as business such as MFIs have to borrow at a high cost and also charge additional interest on their loans to low-income groups. The overall effect of high-interest rates regarding HMF delivery is that high-interest rates reduce the

motivation for MFIs to invest in housing and its activities. This by implication does not only slow down industrial growth but also economic growth. Interest rates and currency depreciated also serves as demotivating to MFIs regarding housing investment. The Treasury Bills rates at the time of the field study were above the rate of inflation, which most MFIs considered as attractive. They prefer to invest a sizeable portion of their assets in such government instruments.

It emerged in Chapter Six that land tenure and security is a significant barrier to the delivery of HMF. Therefore, the higher the cost or price of land and the lack of secure tenure on it pose as risk to MFIs. From the results, this variable had a mean score of 4.16 making it one of the critical variables among the 13 demotivating variables. The cost of land has so many components that include payments for ground rent, taxes, leasing, land documentation and other non-classified cost. These cost components add up to the price of a land and make the cost very high. The land market is not well regulated as land price within the same locality varies depending on who is selling it. The demand for land use in Ghana has made it becoming increasingly scarce due to rapid urbanisation, industrialisation and demographic growth. There are always competing interests among several users of land which makes the cost of urban land very high in the country.

From a motivation perspective, the results show that MFIs' desire for growth and expansion was also rated as one of the most important variables with a mean score of 4.44. Every organisation will desire to grow, expand and improve in many of its aspects that include its profit margins. Such a desire will compel MFIs to explore other new markets with the same or different products. The desire to explore new markets such as low-income housing market will help MFIs expand not only in their loan portfolios but may also increase their profit margins. This can be possible because of the contribution of housing to the overall national economy of a nation from which MFIs will benefit. For instance, the low-income housing market is driven by many factors that have a high economic effect on the economic development and growth of a country. Housing investment serves as a major constituent of both urban and national economies in many nations. The positive growth effects of housing investment in an economy will be the overall growth effect on GDP. This is possible through housing's ability to create jobs, generate incomes and savings, contribute to the financial mobilisation efforts of

investors (MFIs), increase labour productivity, economic recovery and above all improve regional development.

Among the moderating variables, trustworthy, sound economic and effective housing policies were rated as the most important variables. These variables were rated with mean values of 4.10, 3.86 and 3.83 respectively. Trustworthiness in HMF delivery is important in the sense that low-income groups giving wrong locations and presenting inadequate land documentations could pose risks to MFIs. Building a close and trusted relationship with MFIs and clients will be a key factor in adopting and delivering profitable HMF products. A demonstration of trustworthiness particularly by MFIs will be central to building strong ties with clients in achieving the goal of meeting their housing needs. When trust is built, MFIs may overlook some of the collateral requirements by accepting other forms of collateral such as group membership as a form of guarantee. Sound economic and effective housing policies are also influential moderating variables of consideration when it comes to moderating the positive and negative variables in HMF delivery. Whereas sound economic policies that could create jobs can, in turn, increase the income of those at the lowest socioeconomic segment of the population, effective housing policies can provide and protect low-income groups regarding tenure and collateralisation among others.

8.3. Factor Analysis on the Predictor(s) of Microfinance Institutions' Intention on whether to enter the Housing Market

FA was carried out with the aim of reducing the variables to a set of uncorrelated factors. The reason for such exercise is to identify the smaller number of separate principal factors responsible for any co-variations among a large number of variables. Pallant (2010) suggests that FA and its applications are suitable for exploratory models such as the one under consideration in Section 8.4. The underlying assumption in FA is that the variables that significantly correlate with each other will do so because they measure the same or common factor. Although, many demotivating, motivating and moderating variables were evaluated and found to be relevant to the supply and demand of HMF by their mean scores, the intention of the researcher is not solely to generate a list of variables and their factors but to identify the key factors that could significantly influence the delivery of HMF. The aim is to capture any multivariate relationship between the variables so as to reclassify them under the appropriate factors.

There are two ways of determining the factorability of the intercorrelation of the variables. This can be done by the use of Bartlett's Sphericity test and the Kaiser-Mayer-Olkin (KMO) index to enable the detection of the possibility of summarising the initial set of variables into few factors. However, these tests do not necessarily give an indication of the number of factors that could be realised. Yong and Pearce (2013) recommend that Bartlett's test of Sphericity must be significant at ($P < 0.05$) to indicate that there is enough patterned relationship among the variables. Research has also shown that a KMO value of 0.90 to 1.00 indicates that the variables have a marvellous degree of common variance, from 0.80 to 0.89 is described as meritorious, 0.70 to 0.79 is middling, 0.60 to 0.96 as mediocre, and 0.50 to 0.59 as miserable and from 0.00 to 0.49 means there is no need for factor analysis (Yong and Pearce 2013). From the results in Table 8.4, both demotivating and motivating variables had a common KMO value of 0.71 indicating the variables can be subjected to FA. Whereas the moderating variables were within the mediocre range with a KMO value of 0.69, they were still significant as all the three categories of variables confirm that there is a patterned relationship with significant levels of ($p < .001$). The KMO values of 0.69 and 0.71 recorded indicate that the correlations between a pair of variables can be explained by other variables within the data set and that the FA was appropriate.

Table 8. 4: KMO and Bartlett's Test of Sphericity for the three categories of Motivation

KMO and Bartlett's Test for Demotivating Variables		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.71
Bartlett's Test of Sphericity	Approx. Chi-Square	323.277
	Df	78
	Sig.	.000
KMO and Bartlett's Test for Motivating Variables		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.71
Bartlett's Test of Sphericity	Approx. Chi-Square	495.114
	Df	66
	Sig.	.000
KMO and Bartlett's Test for the Moderating Variables		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.69
Bartlett's Test of Sphericity	Approx. Chi-Square	477.988
	Df	66
	Sig.	.000

Source: Field Survey, 2014.

8.3.1 Total Variance Explained

Each of the 37 measurement indicator variables was standardised to a mean of 0.0 which make each variable having a variance of 1.0. In this case, a useful variable must account for more than 1.0 unit of variance else the factor extracted explain only a single variable. Since the first four components as shown in Table 8.5, in each category of motivations had an eigenvalue of above 1.0, those components explained more than a single variable. Whereas the smallest percent of variance is 8.44 among the

demotivating factors, the higher percent of variance is 26.12. The cumulative percent of variance explained by the first four factors in each category are 56.78, 69.04, and 66.55 for the demotivating, motivating and moderating factors respectively. Thus, the percent of common variables shared by the variables in each category can be accounted for by the four factors in each of these categories of motivation.

Table 8. 5: Total Variance explained for the three categories of Motivation of Microfinance Institutions' Intention

Component	Total Variance Explained for the Demotivating Factors					
	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.40	26.12	26.12	2.22	17.08	17.08
2	1.50	11.47	37.59	1.91	14.71	31.79
3	1.40	10.75	48.33	1.70	13.06	44.85
4	1.10	8.44	56.78	1.55	11.92	56.78
Component	Total Variance Explained for the Motivating Factors					
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.55	29.56	29.56	2.46	20.51	20.51
2	1.98	16.47	46.03	2.17	18.04	38.56
3	1.66	13.84	59.88	1.95	16.23	54.79
4	1.10	9.17	69.04	1.71	14.26	69.04
Component	Total Variance Explained for the Moderating Factors					
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.36	27.98	27.98	2.42	20.19	20.19
2	2.04	16.99	44.96	2.07	17.28	37.47
3	1.39	11.58	56.54	1.92	16.01	53.48
4	1.20	10.01	66.55	1.57	13.07	66.55
Extraction Method: Principal Component Analysis						

Source: Field Survey, 2014.

8.3.2 Factor Rotation and Interpretation

Factor rotation is a process of making the factor loading patterns much clearer to make the pair of coordinates of each item more closely correlated (Williams et al. 2012). As can be seen in Table 8.6, loadings below 0.60 were suppressed in a view to making the loadings clearer with the highly-correlated item loading on each factor.

Table 8. 6: Factor Matrix of the Loadings on each Component of Motivation of Microfinance Institutions' Intention

Rotated Component Matrix* for the Demotivating Factors					
Codes	Variables	Component			
		1	2	3	4
Demo2	HMF is risky	.835			
Demo1	High fold-up rate	.688			
Demo12	Lack of funding	.603			
Demo8	Ineffective collateral registry		.732		
Demo7	Lack of sufficient collaterals		.671		
Demo10	Unequal interest charges			.801	
Demo11	Higher interest rate on HMF			.787	
Demo4	High cost and price of land				.859
Demo5	Lack of security and tenure				.713
	Eigenvalue	3.40	1.50	1.40	1.10
	The Percentage of variance explained	26.12	11.47	10.75	8.44
Rotated Component Matrix* for the Motivating Factors					
Moti4	Appetite to increase firm profit	.835			
Moti5	Availability of local resources	.829			
Moti6	LHM has unique features and products	.798			
Moti2	High demand for low -income housing		.858		
Moti3	Preference for homeownership than rental		.783		
Moti1	Potential size of the LHM		.741		
Moti11	Flexibility of entry			.879	
Moti12	Flexibility of risk and knowledge sharing			.792	
Moti10	Good policy towards homeownership			.721	
Moti8	LHM potential for MFIs growth				.865
Moti7	Firms desire for expansion				.829
	Eigenvalue	3.55	1.98	1.66	1.10
	The percentage of variance explained	29.56	16.47	13.84	9.17
Rotated Component Matrix* for the Moderating Factors					
Mode8	Ability to afford Construction and technical assistance services	.879			
Mode9	Construction and technical assistance is important in HMF delivery	.838			
Mode7	Availability of Construction and technical assistance providers	.792			
Mode3	Effective regulatory agencies		.833		
Mode4	Effective housing policy		.803		
Mode6	Sound economic policies		.798		
Mode11	Low income groups have diverse collaterals			.865	
Mode12	Trust in group membership			.783	
Mode10	Low -income groups willingness to pay HMF loans			.631	
Mode1	Clients Trustworthiness				.767
Mode2	Knowledge of clients social ties				.764
	Eigenvalue	3.36	2.04	1.39	1.20
	The percentage of variance explained	27.98	16.99	11.58	10.01

Source: Field Survey, 2014.

8.3.3. Factor Extraction

Some factor extraction methods include the maximum likelihood, principal components and principal axis among others (Tabachnick and Fidell, 2007). However, the principal components method of extraction is a useful method of extracting the maximum variance from a data set (Williams et al., 2012). The method was used to reduce the 37 variables to four-factor components in each of the three categories of motivation. In all, 12 components of factors were extracted in the categories of de/motivating, and moderating factor and were re-grouped under the appropriately named headings. These are presented in Table 8.7, and the discussion on their effects and importance is in Section 8.3.4.

Table 8. 7: Summary of the Component Groupings for the three categories of Motivation of Microfinance Institutions' Intention

Summary of the Components groupings of the Demotivating Variables into factors				
Number Factors/ Variables	Component 1	Component 2	Component 3	Component 4
	Risk	Collateralisation	Interest Rates	Land Tenure Security
1	HMF is risky	Ineffective collateral registry	Unequal interest charges	High cost and price of land
2	High fold-up rate	Lack of sufficient collaterals	Higher interest rate on HMF	Lack of security and tenure
3	Lack of funding			
Summary of the Components groupings of the Motivating Variables into factors				
	Appetite for Profit	Homeownership	Ease of Entry into the HM	Size of the HM
1	Appetite to increase firm profit	High demand for low-income housing	Flexibility of entry	Potential large size of the HM
2	Availability of local resources	Preference for homeownership than rental	Flexibility of risk and knowledge sharing	Firms desire for expansion
3	LHM has unique features and products	Potential size of the LHM	Good policy towards homeownership	
Summary of the Components groupings of the Moderating Variables into factors				
	Construction and Technical Assistance	Policies and Regulations	Trust	Socio-Cultural Capital
1	Ability to afford CTA services	Effective regulatory agencies	Low- income groups have diverse collaterals	Clients Trustworthiness
2	CTA is important in HMF delivery	Effective housing policy	Trust in group membership	Knowledge of clients social ties
3	Availability of CTA providers	Sound economic policies	Low- income groups willingness to pay HMF loans	

Source: Field Survey, 2014.

8.3.4 Discussion on the Factor Analysis of the three categories of motivation of MFIs' intention

Four components of factors in each category were identified and regrouped as shown in Table 8.7. These are further discussed below.

- **Demotivating Factors**

The four factors extracted from this class of variables can be described as risk, collateralisation, interest rates, and land tenure and security. The first factor labelled risk relates to the improbability of returns and the potential for a loss in a financial investment. The variables that load on it were MFIs' perception that HMF is a risky venture (0.77), HMF delivery involves capital lock up (0.71) and high prices of building materials (0.53). Risk comes in so many forms that include credit and liquidity risk arising out of delays in repayment, non-payment (both principal interests and overheads charges on time) which can threaten the sustainability and viability of HMF. Credit risk as a result of HMF repayment failures, inadequate monitoring methods and mechanisms on loans by loan officers are also a possibility in HMF delivery. There are also legal and political risks associated with HMF delivery where the legal and political framework of MFIs lending operations and activities or location may change. This could influence the way MFIs perceived the market as the political interest in housing could bring either positive or negative result to those who invest in housing. Regarding economic risk, interest rates volatility, inflation and exchange rates are all type of risks most MFIs attached importance to in lending to the low-income group's segment of the market.

Agent behavioural risks also do sometimes occur when there is a divergence of interests which can cause low-income groups to behave differently. From the social point of view, there is often a risk of mistrust among clients and MFIs. This sometimes happens when there is a diversion of funds towards other family needs such as paying school fees among others. The risk of bad debt arising from collateral inadequacies, low capacity of the client to pay within time and land litigation in the country are latent factors affecting the delivery of HMF. Lack of utmost good faith, lack of enough and adequate knowledge of clients, inadequate collateral and failed guarantees are all risks perspectives within the HMF environment.

There is also the possibility of systematic and environmental risks where any negative development in the Microfinance environment or systematic crisis in one region could affect the other region. For instance, the recent political instability in both Cote d' Ivoire and Burkina Faso which are Ghana closest neighbours affected some businesses that trade across these countries. The unreliable property market, loss of investment through a natural disaster, risk due to the lack of tenure of low-income groups, the risk of delay in the statutory approvals for housing development among others are all anticipated risks in the delivery of HMF in the country. Further, due to the incremental building process of low-income groups, capital invested in the first phase of a project is usually locked up until the project is completed. Additionally, there is a lack of building materials bank that could serve as a means of lowering building material prices in the country to encourage MFIs to lend to such sectors.

The second factor extracted can be deemed as collateralisation. Two variables that loads on this factor were ineffective collateral registry (0.73) and lack of sufficient collaterals (0.67). A specific asset such as land or a building is pledged as security by the low-income group's borrower to a Housing Microfinance Institutions for HMF loan to meet his/her housing needs. In the HMF market, collateral issues and income levels of low-income groups do serve as negative factors affecting MFIs motivation to serve such market with HMF.

Interest rates could be used to describe the third extracted demotivating factor which plays a very crucial role and could be considered as one of the determinants in lending to the informal sector. Two related variables loaded well on this factor component. They were unequal interest rates charged on HMF products (0.80) and the high-interest rates on HMF portfolios (0.79). The current interest rates in Ghana are soaring at around 26% as noted earlier on which MFIs, after borrowing, will also charge transaction and operational costs before the real interest on the loans to low-income groups. In countries such as Ghana where the commercial and capital markets are not very attractive for borrowing interest rates become a factor which cripples many MFIs growths.

The cost and source of funding are also a significant aspect in calculating the interest rate on HMF portfolios. For-profit seeking Housing Microfinance Institutions they will certainly have higher interest rates than that of non-profits seeking Housing Microfinance Institutions. Whereas non-profit seeking Housing Microfinance

Institutions may get grants and other soft loans to meet the expected social impact of their donor partners, profit-seeking Housing Microfinance Institutions might have to borrow from the commercial or capital market at very high interest rates. Besides, HMF portfolios also require different interest rates sometimes slightly greater than other portfolios due to the effect of the variables that have been discussed earlier in the thesis. Managing these differences in organisational terms requires different skills which may be costly at this stage among many MFIs who will want to engage in the housing market.

Finally, among the demotivating factors is one that could be summarised as land tenure and security. This is about the ability of low-income groups to appropriate land on a continuous basis free from any imposition, dispute or approbation from outside sources. Land tenure and security was, therefore, the fourth component under the demotivators and two variables; high cost and price of land (0.86) and lack of security and tenure (0.71) load on it. There is uncertainty in the scope of the right and duration of what is a land right, for whom and for how long with what kind of certainty in the country. Some traditional authorities have demonstrated their willingness to adopt innovative practices in land use and management through their administration and authority. This is aimed at dealing with some of the shortcomings of land registration in the country. For instance, the Otumfoe land secretariats leasing project, which aims at regularising all illegally occupied lands in his jurisdiction is one of such initiative in the country. However, MFIs still consider land and tenure security as a demotivating factor that has the potential of discouraging them from entering the housing market.

- **Motivating factors**

The first primary motivating factor extracted could be named as MFIs appetite for profits. The variables that load on this factor were an appetite to increase firm profit (0.84) availability of local resources (0.83) and low-income housing market having unique features and products (0.80). The socioeconomic benefits and effect of HMF cannot be underestimated in the context of a developing economy such as Ghana. The benefit of HMF adoption to MFIs can be realised in the area of profitability and sustainability in their business. It can be argued that the housing market is profitable and offering HMF will improve and ensure sustainability regarding risk mitigation against other products within the same organisation.

The concept of housing and its related activities involves both process and activities within the low-income housing value chain. These activities comprise both direct and indirect activities such as the provision of direct loans to giving technical and financial advice to low-income groups. This demonstrates the uniqueness of the low-income housing market. With this variety of activities linked to housing, MFIs consider entry into the housing market to support any of such activities as very profitable. Profitable is, therefore, an ingredient for growth and expansion. Additionally, the material requirement for low-income groups housing is often available within their localities at a very cheaper cost. The synergy between locally available resources regarding labour, local materials from low-income groups and finance from MFIs could propel growth in both low-income housing and microfinance markets.

The second motivating factor can be seen as homeownership. This factor was also loaded by three variables, namely high demand for low-income housing (0.86) preference for homeownership than renting (0.78), and the potential size of the low-income housing market (0.74). The desire for homeownership among low-income groups emerged as a motivation for MFIs. From many perspectives, low-income groups hold the view that owning a home is an effective means of accumulating wealth. The effort is, therefore, being made by low-income groups themselves and other actors such as MFIs by providing them with HMF credits to help them meet their housing needs. This also highlights the importance of asset and wealth building as the central element to the well-being of low-income groups and their households. Homeownership among low-income groups as an asset building venture is important regarding its ability to determine other life opportunities, enabling investments in health, education and business. Homeownership also provides economic security and in the case of Ghana serves as a family inheritance. The need for homeownership in the country triggers low-income groups' willingness to access finance that is affordable. Willingness to access or borrow will also mean willingness to pay for HMF loans which are given out progressively.

The third most important motivating factor can be viewed as ease of entry into the housing market. The variables that load on this factor were the flexibility of entry (0.88), the flexibility of risk and knowledge sharing (0.79) and the right policies towards homeownership (0.72). This is because the current "fit-for-all" microfinance regulations in the country also serve as a source of motivation that could encourage ease

of entry by MFIs into other sectors of the economy including housing activities. Ease of entry into the housing market will depend on some factors such as the availability of funding, availability of affordable land and flexibility in securing tenure by low-income groups in the urban centres.

The fourth factor can also be considered as the size of the low-income housing market. Two variables load on this factor which are the potential of the low-income housing market for MFIs growth (0.87) and MFIs desire and appetite for expansion in their operations (0.83). There is the possibility of profitability and sustainability in delivering HMF because low-income groups are willing to access finance to meet their housing needs. This will then offer MFIs the opportunity to grow and expand their operations.

- **Moderating factors**

The 12 demotivating variables converged under four factors that can be referred to as construction and technical assistance, policy and regulations, trust and social, cultural capital. The first factor that emerged was loaded with Housing Microfinance Institutions' ability to afford construction and technical assistance services (0.88), construction and technical assistance is crucial in HMF delivery (0.84), and the availability of construction and technical assistance providers (0.79) in the country. Construction and technical assistance come in two forms: institutional assistance in the area of HMF product development and technical assistance that focuses mainly on the client's incremental building process. Construction and technical assistance constitute and employs a different knowledge and a set of expertise that does not only concentrate on the customer building process but also helps low-income groups to avoid simple basic building construction errors. This can cost both low-income groups and Housing Microfinance Institutions if not addressed well. Habitat for Humanity-Ghana is currently in partnership with some of the Housing Microfinance Institutions in the country as indicated in Chapter Six to offer construction and technical assistance to low-income groups also access to HMF delivery. The availability of construction and technical assistance providers and Housing Microfinance Institutions ability to afford such services as the market expands will serve as a moderating mechanism in the delivery of HMF.

The second factor can be referred to as policies and regulations. This factor was also loaded with effective regulatory agencies (0.83), effective housing policy (0.80), and

sound economic policies (0.80). The work of regulatory bodies on both sides of MFIs and the housing sector is very crucial to the delivery of HMF in the country. Town and country planning and building inspectors by ensuring proper siting of buildings and timely approval of housing plans and development could moderate the risk of demolition and other tenure issues. Both national and local, decentralised housing policies need to reflect the potential and dynamics of the incremental building processes of low-income groups in the country. They need to demonstrate support for HMF delivery by facilitating access to land and other urban services.

Trust can be designated the third factor under the moderating factors which play a central role as a moderator between MFIs and clients in HMF delivery. Trust as a facilitator in the delivery of HMF was loaded on by low-income groups having diverse collateral alternatives (0.87), Trust in group membership (0.78) and low-income groups' willingness to pay for HMF loans (0.63). Trust will build confidence between clients and housing support service providers and loan officers of MFIs offering HMF. The importance of building trust among low-income groups and the communities where MFIs operates will lie in their ability to successfully overcome market failures such as high operating costs, distorted information and the lack or unreliable collaterals. The amount and degree of innovation occurring in the microfinance industry call for mechanisms that are rooted in low-income groups culture, values and control systems to be able to bridge the information, risk and timely delivering of HMF. In most DCs such as Ghana, a traditional value system such as trust in the aged among relatives and friends is a strong indication of a possible success of HMF delivery in the country. Furthermore, low-income groups will be willing to pay for HMF loans if they do not anticipate any hidden charges. This can be possible through adequate information flow between low-income groups and MFIs. Moreover, low-income groups will not borrow if they think an MFI is not being upfront about all their costs and charges or anticipate that MFIs in general, are using any form of violence to retrieve bad debts.

The fourth and last factor under the moderating factors can be referred to as socio-cultural capital. This factor was loaded with variables such as client's trustworthiness (0.77) and knowledge about clients' social ties (0.76). MFIs having a sound understanding of low-income groups' social ties and social characteristics will enable them to use it as a form of collateral in giving out HMF products. It can also be a useful mitigation mechanism against the risks of default among low-income groups. Peer

recommendation based on trust will help MFIs loan officers to trace HMF loan defaulters. Peer recommendations will also help construction and technical assistance providers in recommending the best housing solutions for low-income groups due to their social characteristics such as marital status, education, income among others within the same community.

The accumulation of social capital, particularly in Ghana is essential for MFIs success, and it will help these organisations to grow through word of mouth (WOM). Most MFIs especially those in the rural areas often tend to rely on WOM, referrals and peer groups' recommendation for building trust and confidence in their clients. MFIs' ability to recognise and harness the importance of such informal social interactions that have the potential of engendering trust and communicating the outcomes to low-income groups effectively will enforce HMF contracts between them. Social capital encourages low-income groups' actions through the provision of local labour in the incremental building process of their houses. Such actions go to reduce the cost of construction and serve as a motivation to other low-income groups to also access HMF to meet their housing needs. Social capital in this regard can produce a moderating effect between the demotivating and motivating factors in the housing market.

8.4. Evaluating the Model of Microfinance Institutions Intention

MFIs intention (MI) is the coefficient of determination R^2 . This means that the three categories of Push, Pull and Mooring factors are predicting or explaining the amount of the coefficient of determination R^2 . The value of R^2 gives the degree of intention of MFIs in Ghana willingness to enter the housing market. In other research disciplines such as marketing, an R^2 value of 0.75, 0.50, and 0.25 are considered as substantial, moderate and weak levels of predictive power accuracy (Hair et al., 2013; Hair et al., 2015). However, such research discipline is quite different from urban studies research domain. Therefore, the R^2 obtained is interpreted in the context of the aim of the study. Moreover, whereas the 12 latent factors are influencing the three categories of motivation the 33 measurement indicator variables are also influencing the 12 latent factors as indicated by their arrows in Figure 8.1 below.

The proposed model in Chapter Four was analysed and MFIs' intention to enter the housing market calculated using PLS-SEM approach. The model was analysed using the eight steps described in Chapter Five due to the reflective measurement indicators

adopted. The three latent forces of Push, Pull and Mooring significantly explain 45.30% of the variance of MI to enter the housing market as shown in Figure 8.1 below. As explained above an R^2 value of 45.30% indicate that almost half of the MFIs surveyed are willing to enter the housing market in Ghana. This result is substantially significant because this is the first exploratory study of its kind in the context of a developing country.

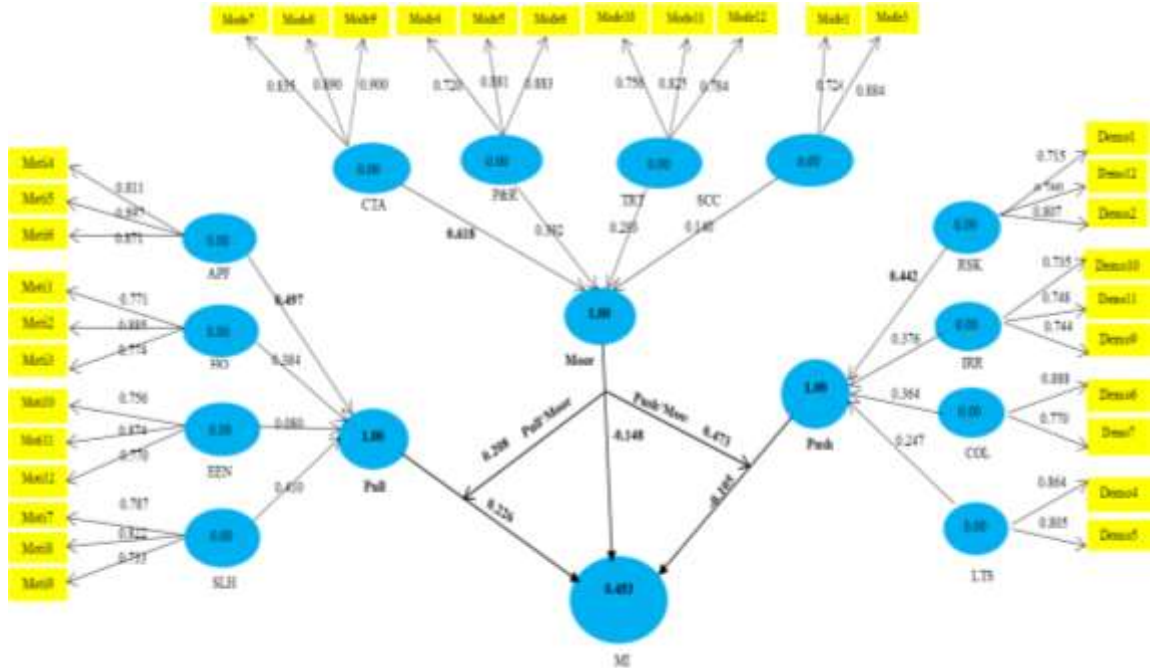


Figure 8. 1: Evaluated Model of Microfinance Institutions' Intention to enter the Housing Market. Source: Field Survey, 2014.

8.4.1. The Model Paths Coefficient Sizes and Significance

The results from Figure 8.1 show that the three most critical variables influencing MFIs intention not to enter the housing market are demo6, demo4 and demo2 with path coefficient size and significance of 0.89, 0.86 and 0.81 respectively. Among the motivators moti5, moti2 and moti11 are the three most influential variables on MFI intention to enter the housing market with path coefficient size and significance of 0.90, 0.89 and 0.87. On the other hand, the three most influential moderating variables are mode9, mode8 and mode6 with path coefficient size and significance of 0.90, 0.89 and 0.88. Regarding factors, the two demotivating factors that are influencing the Push forces of MFIs' intention are risks and interest rates. They are critical latent factors that are negatively influencing intention with path coefficient size and significance of 0.44 and 0.38. Those critical latent factors from the motivating perspective are MFIs' appetite for profit and the size of the housing market with path coefficient size and significance of 0.50 and 0.41 respectively. Similarly, the critical moderating factors are

construction and technical assistance and policy and regulations with path coefficient size and significance of 0.62 and 0.40 as well.

Within the Push-Pull-Mooring realm, the results suggest that the Pull forces have the strongest effect on MI to enter the housing market with a path coefficient of 23% followed by the Mooring forces with 15%, and the Push forces with 11%. The Push forces path coefficient is the smallest among the three categories of motivation and is having an adverse effect on MI. This signifies that Push forces (demotivators) in the housing market are having a negative impact on MFIs' willingness to enter the market. The results confirm the earlier claim that demotivators are negative variables that prevail in the housing market which has the potential of discouraging new MFI from the housing market. On the other hand, the Pull forces path relationship is the largest predictor of MI and is a positive value. This also confirms the researcher's claim that Pull forces are positive factors that have the potential of attracting new MFIs' entrants into the housing market. Similarly, whereas the Push-Mooring path coefficient is a positive value of 47%, the Pull-Mooring path coefficient is also a positive value of 21%. However, the moderating forces positively induce effects on both Push and Pull forces towards MI. This means that the Mooring forces indirectly influence MI through both Push and Pull forces but poorly influence MI directly as its direct relationship with MI show negative -15%.

The T-statistics (O/STERR) is used to test the statistical significance of the path relationship which should be more than the value of 1.0. From Appendix 6, it shows that all the path relationships between the Moo>MI, Pull>-MI, Pull*Moo>MI, push>MI, Push*Moo>MI are statistically significant with values of 3.28, 4.22, 2.85, 1.91, 1.07 respectively. All these values are more than 1.0. Thus, it is conclusive that the three categories of motivation are moderately strong predictors of MFIs' intention to enter the housing market in Ghana.

8.4.2 The Outer Model Loadings and Significance

The bootstrapping process was used to analysed the outer part of the model. Bootstrapping according to Wong (2013) is a method of testing whether an indicator and its potential factors are statistically significant, and their T-statistics values after bootstrapping should not be less than 1.96. The T-statistics for all the indicators and their respective factors were statistically significant as shown in Appendix 7. The least

T-statistics value among the 33 measurement indicator variables was 2.87. Similarly, the middle to outer part of the model containing the 33 measurement indicator variables to the three categories of Push, Pull and Mooring path was also tested by the bootstrapping process. The results as shown in Appendix 8 indicate that Moti10, 11, and 12 to the Pull path coefficient are statistically not significant. This is because the T-statistics values are 1.81, 1.84, and 1.59 which are far below the 1.96.

8.4.3. The Model Outcomes and Implications

The study seeks to evaluate the role of microfinance as an innovative strategy, and a means to meet the housing needs of low-income earners in Ghana. From the results of the descriptive statistical, FA and PLS-SEM analysis, it can be concluded that MFIs are willing and have the intention to enter the housing market. However, this depends on some important variables and factors. The study proves that MFIs intention in the developing country of Ghana is significantly influenced by the relational antecedent of Push, Pull and Mooring factors within the housing market. Such an outcome from the PLS-SEM analysis as shown in the model has an implication for practitioners, managers, policy makers and the academic community on HMF delivery in a developing economy context.

The results indicate that the three categories of motivation had varying degrees of effects on MFIs' intention to enter the housing market. Additionally, the strong moderating effects of both Push and Mooring factors helped answer the question of why some MFIs are not willing to engage in the housing market although the Pull factors influences have some positive impact on MFIs intention. In conclusion, the results from the model show that Push-Pull-Mooring factors together explain 45% of the variance MI to enter the housing market. It is an important finding because it suggests that there are other factors both researchers and stakeholders' needs to consider when exploring the reasons behind MFIs intention on whether to enter the housing market particularly in the context of a developing country.

8.5. Chapter Summary

The chapter adopted three statistical techniques to unearthed MFIs' intention regarding their willingness and unwillingness to enter the housing market in Ghana. The descriptive statistics revealed 37 influential measurement indicator variables classified into demotivating, motivating and moderating variables. These variables were reduced and regrouped into 12 latent factors through FA techniques. Four components were

extracted under each of the three categories of motivation and were given names to reflect the congregated variables under them.

Lastly, the PLS-SEM was used to modelled and evaluate MFIs intention to enter the housing market. At the end of the analysis, the model met the criterion set out when using SmartPLS in modelling. The results show that the Pull forces are more significant in the prediction of MFIs' intention than the Push and mooring factors. However, together with their latent factors and measurement indicator variables, they explained 45% of MFIs intention. This study is an exploratory study with a foundational model, and the above findings are conclusive that MFIs have the intention to adopt and deliver HMF as a means to meet the housing needs of low-income groups in Ghana. However, the effect of the demotivating factors such as risk, interest rates on borrowing and collateralisation are militating against their intention.

HOUSING MICROFINANCE SUPPLY AND DEMAND IN GHANA: POLICIES, INSTITUTIONS, AND THE MARKET OUTCOMES

9.1 Introduction

This chapter is the concluding part of this study that seeks to explore the role of microfinance as an innovative strategy together with the motivations behind MFIs and low-income groups' intentions to supply or demand HMF in Ghana. The study has drawn on the global theories, housing policies, and practices of HMF delivery that are relevant to Ghana. The study commenced with a comprehensive literature review that set the context and identified the contributing factors to the low-income housing challenge that occasioned the study. To summarise the entire research process, the initial chapter outlined the study's background and the research problem, its justification and scope, and provided brief summaries of the appropriate methodology used and the findings from the interviews, FGDs, field observations and questionnaire survey. In exploring the contributing factors to the urban housing challenge among low-income groups in DCs, Chapter Two reviewed the relationship between rapid urbanisation and housing policies and their influence of on low-income housing delivery in the DCs context. The chapter concluded that these two aspects had been the primary factors affecting urban housing provision in both quantitative and qualitative terms. Chapter Three also reviewed relevant literature on housing finance and explored the various innovative financing strategies in which HMF was identified as a best-fit, bottom-up approach to low-income housing finance for the incremental process of house-building for low-income groups. It was realised that HMF could contribute in many ways to meet the housing needs of low-income groups. The theoretical underpinning adopted by the study was presented in Chapter Four, which reviewed many theories relevant to the study but adopted the Push-Pull-Mooring theoretical model of migration to explain MFIs' intention to enter the housing market in Ghana.

In Chapter Five, the methodology used in the survey was presented. The chapter outlined the research strategies, which comprised of qualitative interview sessions with HMF vendors, FGDs with participants from low-income groups and a questionnaire survey with MFIs which were not HMF providers. Chapter Six reported on the motivations behind the supply of HMF from the Housing Microfinance Institutions' perspectives. Chapter Seven presented the findings on the motivations behind HMF demand perspectives, through the FGDs' results and analysis. Chapter Eight also

presented the statistical analysis of the survey data, which involved both descriptive and inferential statistical analysis. Furthermore, the proposed model in Chapter Four was analysed, and the results indicated an R^2 value of 45%, which means MFIs are willing and enthusiastic about entering the housing market in Ghana.

Finally, this chapter presents the summary of the main findings and a review of the policy and institutional frameworks and the market outcome implications of the study in the context of HMF supply and demand in Ghana. The chapter also outlines how the findings of the study could be generalised and transferred in the context of DCs and other jurisdictions with similar characteristics. Some recommendations, including suggestions for further research, are also stated, with a concluding statement on the thesis. The main findings are considered under two broad headings. Thus, findings from both the literature reviews and the field survey are summarised in line with the research aim and objectives. This helps to draw meaningful conclusions and make recommendations on the supply of and demand for HMF in Ghana which are transferable and applicable in other jurisdictions.

9.2 Summary of Findings from the Literature Reviews

The first strand of the findings from the study is from the literature review. This strand identified rapid urbanisation, mismatched housing policies and lack of access to affordable low-income housing finance as the major contributing factors to the urban housing challenge among low-income groups in most DCs. It emerged that, although policy makers are very much aware of the effect of the above major factors, little is being done, and low-income groups often have to devise their own ways or means to meet their housing needs. However, to address these housing needs by themselves, low-income groups are often constrained by lack of employment and income inequalities and disparities. The effect of rapid urbanisation has resulted in unsatisfactory housing conditions for low-income groups in most DC's. As a result, many international housing policies have evolved over time but have also been unable to resolve the urban housing challenge in DCs. It was also revealed that urbanisation is a positive (Pull) force that underlies the social, political and economic transformation of many cities in Sub-Sahara Africa. Urbanisation and growth go hand in hand, and it would be an understatement to say that urbanisation is essential an element for socio-economic transformation, wealth creation, prosperity and the development of cities in DCs.

In this regard, the rapid urbanisation in DCs has created some opportunities in which a third party sector has emerged. Institutions within this sector, whether for-profit or non-profit seeking organisations, are taking advantage to provide credits to low-income groups who are unable to access commercial or market finance to meet their various needs, which include housing. It further emerged that, whereas some creative and innovative MFIs have started engaging in the housing market with HMF in Ghana, others are not willing to do so, for various reasons. As mentioned above, it was revealed that HMF is a bottom-up approach and a best-fit innovative financing strategy for low-income groups to meet their housing needs. However, inherent challenges are hindering the success of this mechanism in Ghana, from both supply and demand perspectives.

Through the reviews, thirty-seven measurement indicator variables were identified and grouped into three categories of motivating factors, known as the demotivators, motivators and moderators, which were used to advance the understanding of the reasons behind the decision of some MFIs to enter the housing market, while others shy away. They were further conceptualised into Push-Pull-Mooring factors to help advance and position the study under the appropriate theoretical framework. Additionally, a methodology gap was also identified, in that most urban and HMF studies tend to adopt qualitative and case study research methods. However, this current study adopted a mixed method strategy, which is one of its primary contributions to the academic body of knowledge in the context of research methodology.

9.3 Findings from the Data Analysis in Relation to the Six Research Objectives

A summary of six themes emerged from the data analysis, which aimed at answering the individual research questions set in Chapter One. Below is the discussion of the findings under each of the objectives.

9.3.1 Objective One-: To identify and evaluate the motivations behind Microfinance institutions' intentions on whether to enter the housing market

From the interview data in Chapter Six, it emerged that majority of existing Housing Microfinance Institutions in the country are in the housing market due to social, economic and business sustainability motivations. More critical is the social motivation arising out of the funding partner's interest and philosophies towards alleviating poverty among the disadvantaged low-income group segment of the population. The adoption and supply of HMF among these institutions is motivated, to a large extent, by the need to examine the potential for demand, widen and deepen outreach of their operations.

They believe this will improve the sustainability of their business and help raise new sources of capital. New sources of capital, being those from the commercial market or donor community, are also a prerequisite for scaling up HMF delivery in the country.

The retention of poor but loyal and economically active clients of their HMF products has helped to reduce repayment delinquency. This has also encouraged them and made them willing to sustain and scale up their HMF products in the country. In effect, the motivation to reduce the vulnerability of low-income groups by creating a mechanism that bridges the gap created by poverty was one dream to be fulfilled for some of the Housing Microfinance Institutions. These institutions fall under the welfarist, socialist and non-profit seeking organisations which adopt the supporter or facilitator approach in the provision of HMF in Ghana. The above findings confirm claims (e.g. Brau, 2004) that some MFIs act in the market as socially-oriented institutions. Furthermore, the findings support the HMF delivery paradigms of both Hamdi (1995) and Metzel (2009), as discussed in Chapter Three.

The other category of Housing Microfinance Institutions, which are the minority in the country, falls within the institutional, capitalist and profit-seeking organisations which adopt the provider approach of delivery HMF to the urban poor. One motivation for such institutions is the ability to explore the market created by the current housing needs of low-income groups in the country. They scaled down to the low-income housing market with their existing mortgage products to meet the housing needs of low-income housing groups. Such organisations saw the need and tried to exploit the market, while always aiming at total cost recovery on their HMF products. This finding also lends support to prior studies (Hamdi, 1995; Morduch, 2000) that describe such institutions as capitalist and profit-seeking organisations, in both HMF and microfinance literature.

From the quantitative data results in Chapter Eight, the factors that will motivate MFIs to enter the housing market include their desire for expansion and the potential size of the housing market. Others include the possibility of growth, the availability of local resources, the low-income housing market's unique features and products, the opportunity for leveraging resources and low-income groups' preference for home ownership rather than renting. However, aside from the above motivating variables, there are also other variables that serve as demotivators, and can explain why some MFIs are not willing to enter the housing market. These include capital lock-up in HMF delivery, high-interest rates in the country, high cost and prices of land, high cost and price of building materials, lack of sufficient collateral from low-income groups and the

different interest rates HMF loans require. In the researchers' view, these findings have answered the first research question in exploring the motivations behind MFIs' intention on whether to enter the housing market in Ghana.

9.3.2 Objective Two-: To determine and assess the motivations behind the decision of individuals in low-income groups on whether to use Housing Microfinance to meet their housing needs

The findings that answer the second research question are in the FGD data analysed in Chapter Seven. The results show that most low-income groups are motivated to access and use HMF due to their strong beliefs in the benefits of homeownership over renting. Individual home ownership is very characteristic of most Ghanaians, as it functions as a societal and economic asset. The culture of men rather than women owning houses is also prevalent in Ghana. This position, in effect, seems contrary to the lending principles of microfinance, which has women as its core business agents. It is therefore not surprising that the patronage for HMF in the country is still low since most men are also debt-phobic. Another motivating factor considered by individuals in the low-income group is the flexibility and attractiveness of HMF products and the fact that friends' or peers' support are often available to them in their building process. Thus, the availability of local labour is one of the characteristics among most Ghanaian home builders. Although the type of housing and housing needs of low-income groups are often affected by their incomes and family size, the type of housing desired serves as a motivation that usually compels some low-income groups to use HMF to meet their housing needs.

Equally, demotivating variables were identified that made low-income groups unwilling to use HMF in the country. These included the unfavourable HMF loan conditions, adverse interest rates, the high cost of building and construction materials, low-income levels, the high cost of land, collateral and insurance issues and other social-cultural factors. It could be said that the above findings also answered the second research question on what are the motivations behind the decisions of individuals in low-income groups on whether to use HMF to meet their housing needs adequately.

9.3.3 Objective Three-: To evaluate the success of Housing Microfinance as a means to meet the housing needs of low-income groups

Regarding the impact of HMF, the possible areas of intervention of HMF delivery strategy were investigated. Low-income groups gave accounts and evidence of the

various type of housing needs that they were able to meet with the use of HMF. It emerged that individuals from low-income groups used HMF products mostly to finance new construction of their houses and the purchasing of land, improvement and repairs of their housing infrastructure, such as the provision of toilet facilities, among others. There was little impact on the use of construction and technical assistance services and Housing Microfinance Institutions offering credits to building materials suppliers on behalf of low-income groups to meet their housing needs. This was not surprising since the sector is still in its infant stages of development. However, through research such as this current study, many MFIs may venture into the housing market and thereby adopt some of the innovative strategies, such as offering credits to building materials suppliers to reach out to low-income groups. In conclusion, although HMF has not been successful qualitatively, it has not been successful quantitatively in meeting the housing needs of many low-income groups.

Despite the abysmal performance regarding numbers, there are many advantages and opportunities available to both low-income groups and Housing Microfinance Institutions in the low-income housing market. An opportunity exists for low-income groups, in particular, to access finance in their individual right, unlike in group lending, where a member has to provide a guarantee before one can access a loan. This puts low-income groups in a self-responsible position, and after repayment, it makes them self-reliant and creditworthy, not only to the Housing Microfinance Institutions but also to the community in which they live. In conclusion, low income poses as the most severe constraints to low-income groups' access to HMF for housing in the country. Apparently, low-income groups are challenged by the lending requirements and methodologies, such as eligibility conditions, legalities in land title and high-interest rates. These factors equally influence low-income groups' choices for HMF loans. Table 9.1 is the summary of this section which assesses the strengths, weakness, opportunities and threats in the low-income housing market with regards to the usage of HMF.

Table 9. 1: SWOT Analysis of the Supply and Demand of Housing Microfinance in Ghana

Strength	Weakness
<ul style="list-style-type: none"> • Rich local expertise with vast experience and strong credentials in local building process for HMFs • Robust operational and utilisation capacities for HMF products • Abundance of local building materials • High desire for home ownership among low-income group • Low-income groups' ability to save towards housing • Low-income groups do sometimes have a good knowledge and history about HMFs or lenders • Low-income groups understanding of their individual housing needs • Availability of social cultural capital among low-income group 	<ul style="list-style-type: none"> • Low-income groups are sometimes incapable of servicing large and long term loans • Difficulty in providing documentary evidence on income sources and land titles • Uncertainty of laws relating to homeownership and tenure • Lack of leverage in the para-legal process for formalized HMF loans • Lack of consumer protection laws for low-income groups HMF consumers • Risk aversion on both MFIs and low-income groups part • Lack of trust among both MFIs and low-income group
Opportunities	Threats
<ul style="list-style-type: none"> • Access to housing finance through sweat equity • New sources of finance for housing • HMFs have access to the expertise of Habitat for Humanity for technical advice • Access to decent habitat and improved quality of life • Enhancement in low-income groups social status through housing • Access to innovative form of housing finance on affordable terms • Empowerment through asset building processes 	<ul style="list-style-type: none"> • Absence and difficulty of clear title to land in some parts of the country • Land is treated as a customary inheritance in the country • The unequal interest rate charged for HMF facilities • Escalating and rocketing cost of building materials in the country • Lack of HMF financial knowledge and competency • Urban mobility among low-income group

Source: Author's construct.

9.3.4 Objective Four:- To ascertain the barriers and constraints in the supply and demand of Housing Microfinance

In response to the fourth research question of the study, many obstacles and barriers were unravelled from both supply and demand perspectives of HMF delivery in the country. From the Housing Microfinance Institutions' point of view, eight major factors were identified as militating against the success of HMF provision in the country. These barriers include lack of institutional, regulatory and monitoring mechanisms, lack of capacity of Housing Microfinance Institutions and sustainable funding sources, inadequate and insufficient collateral from low-income groups, inadequate linkages between formal and informal financial institutions, weak managerial issues, land security and tenure, unpredictable macroeconomic environment and other social and cultural factors. Other factors include lack of capacity building in the area of training staff purposely to administer HMF. In addition, there are poor or non-refinancing facility options in the country; standardisation in HMF delivery is low, and there is lack of efficiency in the promotion of the HMF sector together with diverse cross-cultural issues on homeownership in Ghana. There is also a lack of sufficient and adequate expertise to offer construction and technical assistance to both Housing Microfinance Institutions and low-income groups in the country.

From the perspectives of low-income groups obtained through the FGD sessions, six factors were identified. These factors, though not exhaustive, include low-income levels among low-income groups, stringent HMF eligibility requirements by Housing Microfinance Institutions, restrictive HMF loan terms and conditions, restrictive building codes and regulations, lack of HMF financial knowledge and competency among both Housing Microfinance Institutions and low-income groups, and ineffective supplier and consumer protection laws and regulations. There seems to be also a lack of replicable and scalable models and strategies of HMF in the context of Ghana. To overcome these barriers and constraints, many of the participants were of the opinion that HMF would need its set of regulations to be quite different from the mainstream microfinance operations. The fourth research question, on what are the barriers and constraints on both supply and demand sides with the use of HMF in Ghana is also answered satisfactorily by the results of the study.

9.3.5 Objective Five:- To discover the potential risks associated with the provision and use of Housing Microfinance to meet the housing needs of low-income groups

This section addressed the fifth research question of the study, which seeks to discover the potential risks associated with the supply and demand of HMF in the country. Risks abound in every supply and demand transaction. It emerged from the supply side perspective of Housing Microfinance Institutions that many risk factors hinder the supply of HMF. These are credit, cash flow, systematic, agency, political and liquidity risks. Among these, according to the qualitative interviews, highest rates and liquidity risk is the most influential among all the identified risk factors. From the quantitative data analysis, risk also emerged strongly as the most influential construct influencing the Push factor in the model of intention, contributing almost 44%. The risk measurement indicator variables that contributed to this phenomenon are the large fold-up rates among MFIs, lack of sustainable funding sources and the fact that administering HMF portfolios is precarious in the country. The contributions of these variables towards the model were 72%, 76% and 81%, respectively, as can be seen in Figure 8.1.

Through the FGDs, it was also established that there are three most critical risk factors that low-income groups usually encountered in using HMF products in the country. These are, not in any order of severity, identified as economic, social, cultural and

construction and technical risks. However, from a general viewpoint, participants observed that economic risk seems very critical, given that it is a phenomenon induced by exogenous economic factors. An economic risk, according to this study is, in most cases, beyond even the control of the government, and therefore is an unpredictable risk factor in the supply and demand of HMF in the country. The fifth research question was also satisfactorily answered by the results of the study.

9.3.6 Objective Six:- To recommend measures that can improve the effectiveness of Housing Microfinance delivery in Ghana

In response to the research question on what steps could be instituted to improve the effectiveness of HMF delivery, an integrated and innovative financing strategy model is proposed, as shown in Figure 9.1 below. The institutionalisation of such a model could attract many MFIs into the housing market. Prior studies on HMF in Ghana have advocated for the establishment of a housing trust manager and urban poor revolving fund to make HMF delivery effective (Derban et al., 2002). This study also supports such a call and has proposed an HMF delivery model which will harmonise the efforts of all the actors identified in Chapter Three who could collaborate to make the supply and demand of HMF very effective in the country. The combined efforts of Government, Housing Microfinance Institutions and a strategic technical advisor (STA) and other stakeholders could realise the formation of a National Housing Authority (NHA), as shown in the model.

To operationalise the model, Government should formulate policies and regulations regarding the design and delivery of HMF. The government could also help Housing Microfinance Institutions with subsidies in the form of tax rebates and lower interest rates on commercial borrowing for the sector. The role of the NHA would be to coordinate the activities of all the actors, as shown. This authority would help collaborate with Housing Microfinance Institutions to implement the government social policy agenda to the poor through housing. They could also assist in the selection of an appropriate STA that could best advise low-income groups on their housing needs. Another mandate of this body would be to promote innovation in the sector by lobbying government in relevant areas such as tenure and housing infrastructure. The NHA could contribute to the development of appropriate policies relating to incremental housing and raise awareness among stakeholders on the need for a suitable regulatory framework for Housing Microfinance Institutions.

The selected STA would also serve as the link between traditional authorities, Housing Microfinance Institutions and low-income groups in ensuring that land is accessible, affordable and free from litigation. The STA would also liaise with the traditional authorities who are most often the custodians of land to contribute by releasing land at concessionary rates to Housing Microfinance Institutions for low-income housing delivery. The role and importance of building material suppliers would be better felt in the HMF delivery value chain since both NHA and STA would serve as risk managers between Housing Microfinance Institutions, the material suppliers and low-income groups. This would enable low-income groups to source materials on a credit basis to meet their housing needs. The STA would moreover facilitate technical assistance and institutional capacity building among Housing Microfinance Institutions and low-income groups. It could also create, manage and coordinate training of artisans and provide advice on pricing for HMF and construction and technical assistance. It would also have to provide support in the area of improving the technical capacity, financing and the promulgation of appropriate policy and regulations within the sector.

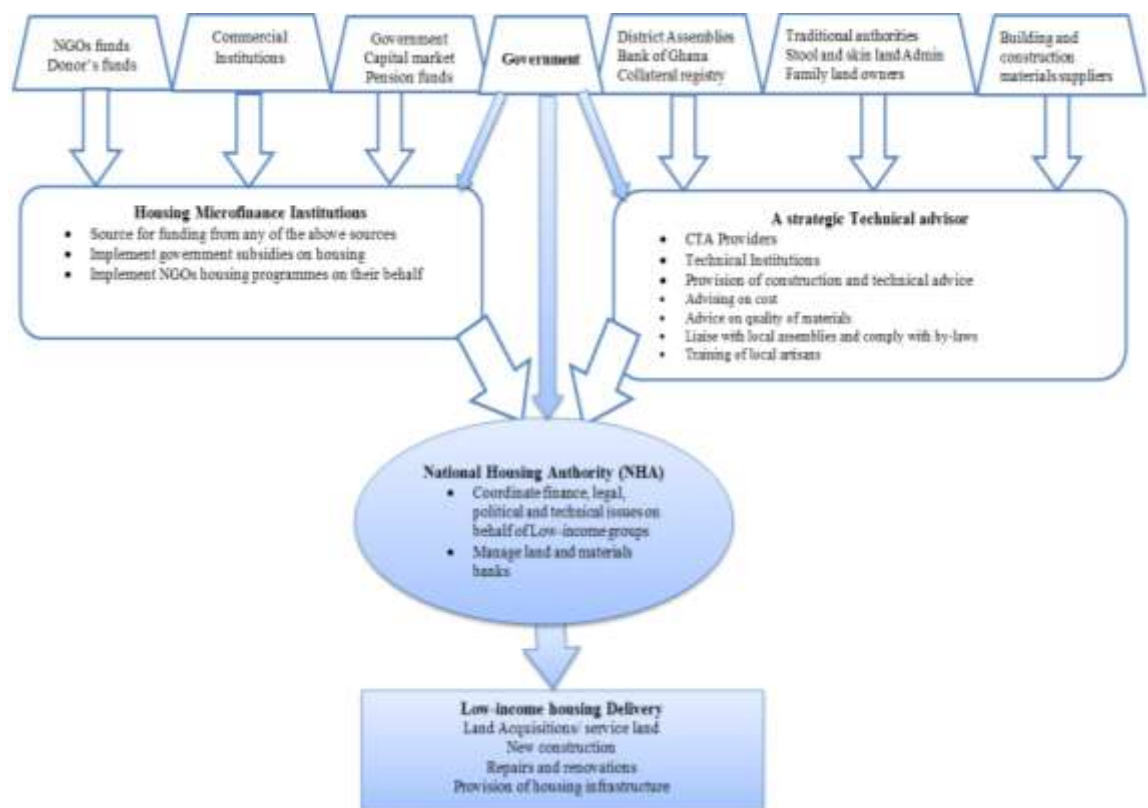


Figure 9. 1: An Integrated Innovative Financing Model for Effective Housing Microfinance Delivery. Source: Author's construct.

9.3.7 Main Aim: To explore the role of Microfinance as an innovative strategy and the motivations behind Microfinance institutions and low-income groups' intentions to supply or demand Housing Microfinance in Ghana.

Having achieved the six objectives as discussed above in the preceding sections of this chapter, this section assesses the main aim of the study. From the literature reviewed, it emerged that microfinance through HMF is an innovative financing mechanism offered to low-income groups by creative MFIs. Microfinance plays and will continue to play a vital role in the low-income housing market in emerging markets, and can help many low-income groups realise their housing needs through the use of HMF. Creative MFIs deliver HMF to low-income groups under an earmarking strategy. It was found that HMF plays a role as an innovative financing strategy because of the pricing, delivery, product design and market strategies often adopted by creative MFIs in its delivery. As pointed out previously, microfinance is a “best-fit” bottom-up approach financing mechanism and an innovative low-income housing finance strategy. It performs a bottom-up role which is consistent with low-income groups' incremental building process. It has evolved from a product-centered to a client and market-centered lending mechanism. Microfinance, in a housing context, is both a socio-economic and a political mechanism, due to the importance of housing. Microfinance through housing is also a departure from formal finance and can gain a major advantage over mortgage finance. This development has the potential to change the landscape of the low-income housing market in DCs. This is because, as suggested by Jones and Watkins (2009), the housing systems in many countries are now more market-oriented than ever before, and thus, the low-income housing markets in DCs are also likely to become market-oriented in the near future, if Housing Microfinance Institutions can scale up.

HMF has enabled many low-income groups by securing land tenure, obtaining quality building materials, and providing building design advice and building services referrals through CTA. It has also played a role in securing and improving essential services, including housing-related infrastructure (such as drains, electricity, and clean water). Another role of HMF is in assisting low-income groups to obtain finance or savings facilities. As mentioned above, another key role of microfinance is to help improve low-income housing governance by coordinating between Housing Microfinance Institutions, low-income groups, CTA providers and city or local authorities. More important is its role in encouraging community partnership and development. The research aim and questions have adequately been answered presented in Table 9.2.

Table 9. 2: Summary of the Aim and Objectives of the Study

Study aim and objectives	Description	Reference chapters	Major Findings and Outcomes
Main Aim	To explore the role of Microfinance as an innovative strategy and the motivations behind MFIs and low-income group's intentions to supply or demand HMF in Ghana	2,3,4,5,6,7	Microfinance is a "best fit" bottom up approach mechanism and an innovative low-income housing finance strategy. Its play a bottom up approach role which is consistent with low-income group's incremental building process. It's has metamorphosis itself from a product-centered to a client and market-centered lending mechanism. Microfinance in housing context is both socio economic and political mechanism due to the importance of housing. Microfinance through housing is a departure from formal finance and can gained a major advantage over mortgage finance. HMF plays a role in enabling low-income groups to secure land tenure, obtain quality building materials, provide building designs advise, building services referrals through CTA, secure and improve essential services such as housing infrastructure (drains, electricity, and clean water), assist low-income groups to obtain finance, savings facilities, improve low-income housing governance and encourage community partnership and development.
Objective One	To identify and evaluate the motivations behind MFIs' intention on whether to enter the housing market	4, 6,8	Motivations: Social, economic and sustainability motivations are keeping existing HMFIs in the market. Motivation of firm's desire for expansion, the potential size of the market, the market potential for MFIs' growth, the availability of local resources, the unique features and products, opportunity for leveraging resources and the preference for homeownership rather than renting among low-income groups are the motivations to attract new entrants. Demotivations: capital lock-up in HMF delivery, high interest rates, high cost and price of land, high cost and prices of building materials, lack of sufficient collateral and the unequal interest rates that are required on HMF loans.
Objective Two	To determine and assess the motivations behind low-income groups decision on whether to use HMF to meet their housing needs	7	Motivations: The motivations for low-income groups' decision to use HMF are desire for homeownership rather than rentals, the flexibility and attractiveness of HMF products, available peer support, availability of local labour and the type of housing desired. Demotivations: unfavourable HMF loan conditions, unfavourable interest rates, high cost of building and construction materials, low-income levels, high cost of land, collateral and insurance issues and other social cultural factors.
Objective Three	To evaluate the success of HMF as a means to meet the housing needs of low-income groups	2,3,4, 6,7	Low-income groups used HMF products largely to finance new construction of their houses and the purchasing of land, improvement and repairs of their housing infrastructure such as construction of toilet facilities among others. HMF is successful in the improvement of low-income groups' housing quality than their quantity of housing.
Objective Four	To ascertain the barriers and constraints in the supply and demand of HMF	3,4,6,7	MFIs perspective: Barriers include lack of institutional, regulatory and monitoring mechanisms, lack of capacity and sustainable funding sources, inadequate and insufficient collaterals, inadequate linkages between formal and informal financial institutions, weak managerial issues, land tenure and security, unpredictable macroeconomic environment, lack of capacity, poor and lack of refinancing facility options, low standardisation in HMF delivery, lack of efficiency in the promotion of HMF, lack of sufficient and adequate expertise to offer CTA. Low-income groups' perspective: Barriers identified include low-income, stringent HMF eligibility requirements, restrictive HMF loan terms and conditions, restrictive building codes and regulations, lack of HMF financial knowledge and competency, ineffective supplier and consumer protection laws and regulations, lack of replicable and scalable models and strategies of HMF in Ghana context.
Objective Five	To discover the potential risks associated with the provision and use of HMF to meet the housing needs of low-income groups	3,4,6,7	MFIs perspectives: Risk factors include credit, cash flow, systematic, agency, political and liquidity risks. Low-income groups' perspectives: Risk factors include economic, social cultural and construction and technical risks.
Objective Six	To recommend measures that can improve the effectiveness of HMF delivery in Ghana	8,9	An integrated and innovative financing model for HMF delivery is proposed through which the formation of a National housing authority can help improve the effectiveness of HMF in Ghana

Source: Author's construct.

9.4 Thematic Conclusions

Having realised the aim and objectives that were set out in the initial chapter of the study, the entire thesis at this juncture can be concluded based on three thematic areas. These perspectives are the policies, institutional and market outcomes of HMF delivery in Ghana. In the following subsections, these aspects are further discussed in detail.

9.4.1 The Policy Perspective in the Supply and Demand of Housing Microfinance

The urban population in Ghana is highly mobile and therefore managing their housing needs and demand has become a major challenge facing government and other stakeholders. The national and district assembly's housing policies do not reflect the potential for an incremental building process that could be supported by HMF. From the interview sections, it also appears that there is a “*one-fit-for-all-type*” of policy and regulatory system governing both MFIs and Housing Microfinance Institutions. Furthermore, the relevance of HMF in Ghana depends on the availability of service land, good housing infrastructure and security of tenure, especially for low-income groups within the peripheries of the cities. For instance, low-income borrowers having access to service land will guarantee the best value of HMF in quality housing delivery. There is ample evidence from the study that there are also skill shortages regarding the construction and technical assistance capacities of Housing Microfinance Institutions needed to deliver the incremental housing agenda of both Housing Microfinance Institutions and low-income groups. It undermines the ultimate goal of getting HMF and low-income housing delivery on the ground. Housing Microfinance Institutions in this study raised concerns about the politicisation of housing in the country. This state of affairs has made some MFIs fearful of the political risk of engaging in housing programmes that might be a subject of interest to the political class in the country.

9.4.2 The Institutional Perspective in the Supply and Demand of Housing Microfinance

The study identified government, donors, NGOs, Housing Microfinance Institutions, the Bank of Ghana, GhAMFIN, MFIs, construction and technical assistance providers, training institutions, traditional authorities and the district assemblies among others as the principal actors in the HMF delivery value chain (see Table 3.5). However, most of these actors tend to operate independently, partly due to various capacity constraints currently out of the scope of this study. The study also identified lack of low-income housing delivery systems, such the availability of construction and technical service

providers who could partner with Housing Microfinance Institutions to delivery HMF effectively. There is lack of institutional support for Housing Microfinance Institutions operating in the country. This is evident in the lack of an effective national credit bureau system to link all MFIs, Housing Microfinance Institutions and other lenders to facilitate lending to low-income groups.

9.4.3 The Market Outcome Perspective in the Supply and Demand of Housing Microfinance

The current HMF environment in Ghana is dominated by not-for-profit MFIs, who are also mostly operating as Savings and Loans Companies. These organisations source their funding from the donor community, such as USAID, and CHF International, among others to support the urban poor through HMF. Housing Microfinance Institutions attested that to get wider market outreach to the economically active poor groups, they need to be more efficient, innovative and sustainable and at the same time viable. This is likely to bring intense competition into the market. However, there is also a high operating cost in the delivery of HMF, due to the dispersed locations of most of their clients. This situation often compels most Housing Microfinance Institutions to operate around the urban centres, ultimately competing for the same group of customers, while others remain unserved.

It also emerged among the participants in the FGDs, as presented in Chapter Seven that the minimum daily income among low-income groups is above the absolute poverty benchmark of \$1.83 per day set by GSS (2014). This means many of the low-income groups in the country can be able to finance their daily needs sustainably and still have income to fund other needs such as housing. There is a potential demand for HMF in Ghana, despite the limitation in supply, as observed in both Chapters Six and Seven. However, there is a serious undersupply for both HMF and other services targeted at the low-income group segment of the population. This is as a result of lack of sustainable sources of funding to the sector. The lack of funding for the sector could also be as a result of the lack of effective regulations and coordination among Housing Microfinance Institutions and other sectors in the country to attract government and other stakeholders' attention.

There is also currently a deficit of about 1.7m housing units, which include those needed by low-income groups in the country. Making this amount of housing available

would also “unlock” and even further stimulate demand for HMF products and services. Moreover, the current socio-economic trends and projections for the future of both markets indicate that the potential demand for HMF could further increase, shortly. However, one major limitation of HMF is that it is a financing strategy for those just above the absolute poverty line of \$2.00 a day income earners but not a solution for those below \$2.00 and above \$4.00 a day income earners in the country. This is because Housing Microfinance Institutions have not been able to meet the needs those define in the low-income groups’ brackets in Chapter One and Three, let alone those below and above such brackets.

9.5 Thematic Recommendations

The recommendations are made from policy, institutions and market outcomes perspectives.

9.5.1 Policy Recommendations

Low-income groups should no longer be treated as only social or political agents but as economic actors who now have the right to the city. What is needed is to institute urban and housing finance policies that fit into their way of life, culture, income levels and housing needs. Both social and economic policies must incorporate their needs into mainstream urban development policy and see them as major stakeholders in urban development. The current structure of funding MFIs through partners’ contributions, donor organisations’ support and borrower’s savings, as demonstrated in Chapter Six, is not sustainable. There is, therefore, the need to promote and attract both social and economic investors from the rest of the world, who could partially address the lack of funding and capital challenges for on-lending activities facing most Housing Microfinance Institutions in the country.

For an emerging economy such as Ghana, it is important to establish a supportive and financially conservative regulatory environment that is capable of addressing HMF delivery constraints and risk related issues, as identified. With effective regulatory bodies overseeing both finance and housing sectors, such as the proposed NHA in this study, HMF delivery can alleviate the housing poverty among some low-income groups in the country. HMF delivery in the country will, therefore, need a separate regulatory mechanism to enable a healthy development in this emerging industry. The importance of regulations and flexible policies, enabling fair competition without market distortion in both the low-income housing market and microfinance sector is very critical. Again,

Government as a major actor can facilitate and create an enabling investment environment by lowering interest rates on treasury bills as a short-term measure to encourage commercial banks seeking better returns to invest in Housing Microfinance Institutions by way of lending to them at lower rates. The government needs to enact policies that will encourage and attract private investment into the HMF market. In specific terms, these regulations and policies should aim at limiting commercial banks from scaling down to such markets, once the market for HMF picks up. The government can further play a role in the incremental process of providing housing by low-income groups in the provision of shelter and infrastructure services and developing strategies to assist affordable funding to the microfinance sector. Partnership with the government, home builders, and construction and building materials supplying companies can help Housing Microfinance Institutions to attain greater scale of outreach, with loans to low-income groups to meet their housing needs in the country.

9.5.2 Institutional recommendations

The need to harmonise the role and contributions of all actors in both markets is crucial. This can be done through the establishment of a national housing authority, as suggested in Figure 9.1. The extent and rate of HMF delivery in the country critically need housing delivery systems that are in line with the incremental process of providing housing for low-income groups. For instance, construction and technical support is no doubt an important aspect of HMF delivery. It should, therefore, be an integral part of every HMF programme to realise the quality housing outcomes of HMF.

The need for business planning systems and staff development models by Housing Microfinance Institutions is pre-eminent as they consider scaling up their operations in the country. It will enable them to price HMF products with the view to long-term sustainability and short-term viability. It is further recommended that the formation of a national network of HMF providers and practitioners is critical to facilitate peer learning and sustain the growth of the sector. This network should take the form of an HMF working group set up to promote and advance the practice of sustainable HMF delivery in the country. The HMF working group, among other objectives, should network among members and share information, and documentation on HMF best practices to member's institutions and other relevant parties. The working group should also promote HMF to potential donors and providers of capital for the sector, potential practitioners and housing support service providers. The group should also advocate and lobby for an enabling policy environment to enable best practice of HMF in the country.

It should encourage member's institutions to share client credit references and promote linkages to similar groups and parties interested in HMF within and outside of Ghana.

The study also recommends the need to link all MFIs, Housing Microfinance Institutions and other lenders via a national credit bureau system. The institutionalisation and promotion of a registry of private credit bureaus in the country will also facilitate lending by banks and non-bank financial institutions which include Housing Microfinance Institutions. This will improve the risk management of Housing Microfinance Institutions in the country. The National Identification documentation (ID) system is also a possible prerequisite that could grant Housing Microfinance Institutions easy access to low-income group borrowers' information regarding their location and nature of work. Collateral replacement and indemnity centres should be established to provide cover to low-income group borrowers. It is important especially for those who may not have a savings account but can demonstrate the capacity to repay for HMF loans with a flexible payment period. It will enable many low-income groups to finance their incremental process of providing housing.

9.5.3 Market Outcome recommendations

In advancing best practice for HMF delivery in the country, Housing Microfinance Institutions must aim at making their HMF products very simple, accessible, market-driven, sustainable and transparent to low-income groups. HMF products must be simple regarding their design and delivery process, close to the communities where low-income groups need them. Another best practice is that the conditions and terms of HMF product must be easily understood and informative enough to low-income groups. Housing Microfinance Institutions must be independent regarding their business decisions, being free without any interference from outside parties and government.

For HMF to scale up there must be a paradigm shift or a movement from the current state of a social public sentiment approach to a semi-commercialisation that is likely to attract both profits- seeking and non-profit MFIs into the market. This can be possible through the application of both social and commercial principles at this initial stage of the market development. Commercial principles such as full cost recovery and ensuring operational self-sufficiency among MFIs will enable them to be fully profit-oriented and be able to source for market-based funds and scale up. They will then be able to

combine various sources of finance, such as private, commercial investors' and capital market funds, as shown in the innovative model in Figure 9.1.

There is also the need for a strong housing market in which low-income groups can realise their assets by being able to trade them in freely as investments. There is a need for innovation in many aspects through interventions in the HMF delivery value chain, by adopting an integrated and innovative approach to reducing risk, addressing some of the barriers and constraints to increase and improve the delivery of HMF in the country. Empirical research is also required to help Housing Microfinance Institutions obtain an evidence-based understanding of the demand for HMF by low-income groups. This demand matrix will inform Housing Microfinance Institutions about the type of housing needs that low-income groups seek to fulfil.

Housing Microfinance Institutions need to diversify their loan books by geographical expansion and make a distinction between fee and non-fee service. Low-income groups considered non-fee technical services as a very crucial motivation that attracts them to demand HMF. Non-fee construction and technical assistance services include the popularisation of the concept of HMF, development of models and training materials and assistance with the Housing Microfinance Institutions' organisational development agenda. Fee paying technical assistance is concerned with land acquisition, housing designs, self-help building options and construction supervision, among others. The development of matrices that can analyse issues surrounding impact and scalability of HMF programs is also very critical for the development of the HMF sector. Although the Housing Microfinance Institutions expressed the view that such a matrix development is capital intensive at this stage of their operations, this is worth exploring.

9.6 The Practical Implications and Contributions of the Study to Knowledge

The study has made some contributions to the body of knowledge in two perspectives. Thus, it has both practical and academic implications for knowledge. These implications are discussed in detail below.

9.6.1 The Practical Implications

The motivations behind Housing Microfinance Institutions and low-income groups' intentions on whether to supply or demand HMF in Ghana have been identified. The study provides Housing Microfinance Institutions with a list of prioritised factors for making rational decisions concerning the supply of HMF to low-income groups. More

importantly, the study was able to identify a set of barriers and risk factors hindering the success of HMF delivery. Additionally, the findings provide insight into the intentions of Housing Microfinance Institutions, new entrants willing to enter the market and consumers of HMF in Ghana. Although grounded in an extensive body of international and local literature, the study based its main argument on the empirical findings derived largely from people's practical experiences regarding the application and practice of microfinance in meeting the housing needs of low-income groups on the ground. Thus, primary evidence has been generated using, to a large extent, a mixed method research strategy approach. Such evidence can further be used for constructive criticism, which could influence the future processes of microfinance and housing policy review, practice and re-alignment in Ghana. The study has the potential of offering the following practical and policy contributions to the body of knowledge, in:

- Advancing knowledge about the current low-income housing policy debate and the contribution of the third sector organisations towards meeting the housing needs of low-income groups in DCs.
- Offering suggestions on the establishment of a national housing authority by the government to make HMF part of mainstream social and housing finance policy in Ghana.

9.6.2 The Contribution to Knowledge

Despite an ever-increasing body of literature on housing finance and housing policy research in Ghana (Sarfoh, 2010; Boamah, 2011), the current study was able to draw on lessons from both international and local literature which led the discovery of a market-led housing policy design applicable to Ghana through the third sector organisations (see Figure 2.4). The study suggests that the ideas of advocates such as Mayo and Gross (1987), Turner and Fichter (1972) Buckley and Kalarickal (2005) and Buckley et al., (2016) on Self-Help and Site and Services are still relevant. These housing policy options can help in the realisation of the role of microfinance on a large scale in DCs. Thus, the study also suggests that the synergy of microfinance, Self-help and Site-and-Services programmes can be a game changer in the low-income housing market in DCs. This is an additional contribution of the study to the above international studies in the Ghanaian local context.

Furthermore, the study has re-contextualised the existing Push-Pull-Mooring model of human migration in a new context of Demotivating-Motivating-Moderating factors in

the low-income housing market. The study shows the extended relationship between the antecedents of the Push-Pull-Mooring factors to MFIs' intention to enter the low-income housing market. The successful application of the model in the field of low-income housing finance has helped to elaborate on the factors in the context of ease of access and barriers to low-income housing finance in DCs. Such knowledge will help scholars and HMF practitioners to fully conceptualise the antecedents of intention, especially in Sub-Saharan Africa low-income housing markets. Likewise, the analysed model will provide a reference for researchers who will be interested in the study of microfinance and housing market interactions in the future.

The study has acknowledged attempts by prior research on the concept of HMF in Ghana (Derban et al., 2002; BOG, 2007; Biitir, 2008). Despite these earlier attempts, the study is to date, one of the few theses that have evaluated the role of microfinance as an innovative strategy using a survey that is based on empirical evidence through a mixed method research approach. It is also among few studies that have discovered the motivations, barriers and risks associated with the supply and demand of HMF in a developing country context. It has therefore made a very novel and significant contribution towards the body of literature on microfinance as an innovative strategy in the low-income housing finance field in a developing country context.

The study has also contributed to the academic debate in a peer-reviewed academic article (Bondinuba et al., 2016a). The findings have also been presented at two international conferences and a seminar (see Bondinuba et al., 2014; Bondinuba, 2015). The possibility also exists that further articles will emanate from the research findings. Some topics for future research have also been generated by the study (see Section 9.8).

9.7 The Generalisation, Transferability and Limitations of the Study

The study started with a review of three concepts: rapid urbanisation, housing policy and access to low-income housing finance by low-income groups in the DC context, with Ghana as the case study. The reality is that many DCs share similar characteristics concerning the effects of these three concepts on the housing development and conditions, especially among the low-income group segment of their populations. In this regard, the findings from the study could be generalised in the context of DCs, especially among those within the Africa continent. This is because these countries share similar characteristics regarding the demographic behaviours of low-income

groups concerning income levels, culture, land ownership, housing needs, and other societal values relating to their housing. Although this extension of the findings from Ghana to other DCs is not absolute, it is statistically probable because of the convention for sound generalisation of research findings, according to Barnes et al., (2012), which is based on data on a population. The quantitative data and results of the study met this requirement. Moreover, the model of intention provides the foundation for producing a broad generalisation of the research findings in the context of DCs regarding the application of theories (Push-Pull-Mooring Theory) and the interrelationships between the concept of motivation and intention in different research fields. This has also brought some novelty to the study.

Regarding the transferability of the findings, readers, practitioners and policy makers among others can make connections between the various elements of the findings and their experiences. Another major caution is that context is very important in interpreting, using, or adopting these findings. The context under which the evidence of the findings in this study was generated is based on the three concepts of rapid urbanisation, housing policy and access to low-income housing finance by low-income groups in DCs. The forms of transferability envisaged from the results are:

- **Geographical.** The various recommendations from the study are transferable within the context of other DCs because regionalisation as a concept identified by this study is gaining momentum among some of these countries (e.g. ECOWAS). This has an effect on the rate of urbanisation, housing policies and access to finance by low-income groups in this part of Africa. The findings can, therefore, be transferred based on the above geographical context.
- **Demographic.** The housing needs of low-income groups of same age, sex, family size; income, employment status and location are likely to be either the same or slightly varied within DCs. Therefore, the evidence from the FGDs among low-income groups can be transferred to other DCs with the hope of achieving the same results.
- **Social and Cultural.** The immediate social and physical settings of low-income groups in most DC urban centres share similarities regarding their social and poverty networks, culture, income and employment. Therefore, the social context of transferability of the study findings is also possible, because the evidence generated is from two urban centres in Ghana where lack of

appropriate housing is usually felt among the low-income groups, similarly to other DCs.

- **Economic.** The economies of most DCs, particularly those within the ECOWAS sub-region are characterised by high inflation and depreciation of their currencies. There is also a proposed single currency policy under consideration among these countries. This means their economies are likely to experience similar challenges to those in Ghana. Therefore, the evidence generated in the economic context of Ghana can be conceptualised as relevant to other DCs' economic context.
- **Political.** The politics concerning housing in Ghana are not different, particularly among DCs within the African continents. This has led to a lack of long-term housing policies concerning low-income housing development in many of these countries. It is also evident that policy makers, politicians, often use housing to canvass for votes during election years. Therefore, the proposed HMF delivery model in Figure 9.1 could also be replicated in other DCs where there is a lack of a national housing authority.

It is, however, further cautioned that the above shows that there are often multiplicities of dimensions of context in the generation of evidence such as in this study. In evaluating the generalisation and transferability of the evidence contained in this study in the context of DCs, all the dimensions of context should be considered, or else the evidence should be limited and interpreted in the context of Ghana.

9.8 Suggestions for Further Research

Future research is needed to assess the real impact of the identified demotivating and motivating factors on both sides of the microfinance and housing markets. Future research should also investigate and establish the actual demand size for the HMF market, as well as identify the varying levels and segmentations of the low-income groups market in the country. It will enable Housing Microfinance Institutions' designed HMF portfolios to meet the housing needs of low-income groups which are ever changing due to their mobility and socio-economic situations. The theoretical model in Figure 8.1 requires further research in other jurisdictions within the developing world context to confirm its replicability. The proposed innovative financing strategy model for HMF delivery suggested in Figure 9.1 also requires further research to validate and evaluate its operational constraints and successes. Future research is also

needed to demonstrate the areas of policy integration of HMF into mainstream housing policy design and development in DCs.

9.9 Concluding Statement

The study concludes that whereas existing Housing Microfinance Institutions in the housing market are eager to scale up their operations, general MFIs have also expressed their intention to enter the low-income housing market, as can be seen in the analysed model in Figure 8.1. The study showed evidence that HMF has the potential of contributing to addressing the qualitative and physical housing needs of low-income earners in Ghana. This largely exploratory study has resulted in many significant and far-reaching conclusions that are relevant to policymakers, academics and practitioners in both markets. Furthermore, the low-income groups' user perception concerning HMF indicated that it is a means and a useful mechanism that can meet their housing needs if supplied on a sustainable basis with flexible payment conditions. In conclusion, sustained effort is needed to define, and refine further, the understanding of the key concepts of HMF as investigated in this study, primarily through fruitful areas of research, as identified in section 9.8 above.

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11.0 Appendices

Appendix 1: Appendix 1 Comparative Data Analysis of Two of the Respondent Institutions which report to the MIX Market

A Comparative Data Analysis of Two of The Respondent Institutions 3 -Year Annual Financial Trends						
	FY 2015		FY 2014		FY 2013	
	SAT	OISL	SAT	OISL	SAT	OISL
Institutional characteristics						
Offices	47	37	47	36	47	33
Personnel	579	731	559	721	526	769
Loan Officers	212	204	189	204	267	222
Asset (USD)m	31.40	40.66	33.24	40.48	32.53	42.72
Outreach						
Gross loan portfolio (USD)m	22.14	24.18	25.38	28.19	21.12	30.35
Number of active borrowers '000'	142.70	57.79	137.49	73.33	124.53	0.00
Deposits (USD) m	17.15	25.85	14.83	24.61	10.90	26.10
Number of depositors '000'	201.74	447.31	165.61	410.29	0.00	0.00
Balance sheets						
Liabilities (USD) m	28.82	32.96	30.53	32.84	29.56	34.23
Borrowings (USD) m	8.50	5.18	13.87	6.90	15.88	6.97
Equity (USD) m	2.58	7.70	2.71	7.65	2.97	8.49
Risk and Liquidity						
Portfolio at risk > 30 days	4.30%	4.57%	3.69%	5.64%	4.61%	0.00%
Write-off ratio	0.00%	3.04%	0.00%	3.90%	0.00%	2.42%

Source: MIX (2016)

Appendix 2: Extract of FGDs Pictures from both Kumasi and Accra (K1, K2, A1, A2)



FGDs (K1, 2014) dated 16/10/2014



FGDs (K2, 2014) dated 17/10/2014



FGDs (A1, 2014) dated 25/10/2014



FGDs (A2, 2014) dated 30/10/2014.

Source: Field Survey, 2014.

Appendix 3: Peers Self-help Incremental Building Project Site Visit Pictures



A: Group of friends helping on a colleague @ Kumasi



Source: Field Survey, 2014.

Appendix 4: Site visit Pictures from both Kumasi and Accra



A plot of land acquired through HMF secured with blocks in Accra.



Substructure level of construction



Poor housing quality condition
Source: Field Survey, 2014.



An HMF beneficiary low-income housing

Appendix 5: Construction Risk



A Sub-standards formwork materials



Incremental construction left to inclement weather



Demolition notice issued by city authorities



Risk of re-work

Source: Field Survey, 2014.

Appendix 6: The Inner Model Test for Significance

Inner Loadings	Orig. Sample	S. Mean	S. D	S. Error	T- Statistics
APF -> PULL	0.50	0.49	0.04	0.04	12.91
COL -> PUSH	0.36	0.36	0.03	0.03	14.05
CTA -> MOO	0.62	0.61	0.03	0.03	19.58
EEN -> PULL	0.08	0.09	0.04	0.04	1.80
HOM -> PULL	0.38	0.38	0.06	0.06	6.36
IRR -> PUSH	0.38	0.37	0.05	0.05	7.95
LTS -> PUSH	0.25	0.24	0.05	0.05	4.70
MOO -> MI	-0.15	-0.13	0.05	0.05	3.28
P&R -> MOO	0.39	0.39	0.05	0.05	7.79
PULL -> MI	-0.23	-0.21	0.05	0.05	4.22
PULL * MOO -> MI	0.21	0.22	0.07	0.07	2.85
PUSH -> MI	0.10	0.08	0.05	0.05	1.91
PUSH * MOO -> MI	0.47	0.07	0.44	0.44	1.07
RSK -> PUSH	0.44	0.44	0.04	0.04	10.02
SCC -> MOO	0.14	0.14	0.03	0.03	4.30
SLH -> PULL	0.41	0.40	0.03	0.03	12.93
TRT -> MOO	0.29	0.28	0.06	0.06	5.18

Source: Field Survey, 2014.

Appendix 7: The Outer Model Test for Significance

Outer Loadings	Orig. Sample	S. Mean	S. D	St. Error	T Statistics
Demo1 <- RSK	0.72	0.71	0.05	0.05	14.73
Demo10 <- IRR	0.74	0.73	0.06	0.06	12.42
Demo11 <- IRR	0.75	0.75	0.04	0.04	19.57
Demo12 <- RSK	0.76	0.76	0.03	0.03	24.34
Demo2 <- RSK	0.81	0.81	0.03	0.03	25.66
Demo4 <- LTS	0.86	0.86	0.03	0.03	25.93
Demo5 <- LTS	0.80	0.80	0.05	0.05	16.19
Demo6 <- COL	0.89	0.89	0.02	0.02	51.85
Demo7 <- COL	0.77	0.76	0.06	0.06	12.81
Demo9 <- IRR	0.74	0.74	0.05	0.05	14.53
Model1 <- SCC	0.72	0.72	0.08	0.08	8.72
Model10 <- TRT	0.76	0.75	0.04	0.04	18.18
Model11 <- TRT	0.82	0.82	0.04	0.04	23.06
Model12 <- TRT	0.78	0.78	0.03	0.03	23.12
Mode3 <- SCC	0.84	0.84	0.06	0.06	14.32
Mode4 <- P&R	0.72	0.71	0.06	0.06	11.77
Mode5 <- P&R	0.88	0.88	0.02	0.02	48.60
Mode6 <- P&R	0.88	0.88	0.02	0.02	54.07
Mode7 <- CTA	0.85	0.85	0.02	0.02	36.92
Mode8 <- CTA	0.89	0.89	0.02	0.02	54.39
Mode9 <- CTA	0.90	0.90	0.02	0.02	51.30
Moti1 <- HOM	0.77	0.77	0.03	0.03	22.07
Moti10 <- EEN	0.76	0.71	0.25	0.25	3.03
Moti11 <- EEN	0.87	0.81	0.27	0.27	3.24
Moti12 <- EEN	0.77	0.70	0.27	0.27	2.87
Moti2 <- HOM	0.88	0.88	0.02	0.02	52.99
Moti3 <- HOM	0.77	0.77	0.05	0.05	15.53
Moti4 <- APF	0.81	0.81	0.03	0.03	27.39
Moti5 <- APF	0.90	0.89	0.02	0.02	42.63
Moti6 <- APF	0.87	0.87	0.02	0.02	39.94
Moti7 <- SLH	0.79	0.78	0.04	0.04	17.74
Moti8 <- SLH	0.82	0.82	0.03	0.03	26.80
Moti9 <- SLH	0.73	0.73	0.03	0.03	25.09

Source: Field Survey, 2014.

Appendix 8: The Outer to the Middle of the Model Test for Significance

Outer to middle loadings	Orig. Sample	S. Mean	S. D	S. Error	T Statistics
Demo10 <- PUSH	0.43	0.43	0.08	0.08	5.15
Demo11 <- PUSH	0.50	0.50	0.06	0.06	7.75
Demo12 <- PUSH	0.64	0.64	0.04	0.04	14.33
Demo2 <- PUSH	0.54	0.54	0.07	0.07	7.86
Demo4 <- PUSH	0.47	0.46	0.10	0.10	4.59
Demo5 <- PUSH	0.40	0.39	0.10	0.10	4.14
Demo6 <- PUSH	0.74	0.74	0.04	0.04	20.77
Demo7 <- PUSH	0.53	0.52	0.07	0.07	7.13
Demo9 <- PUSH	0.55	0.54	0.06	0.06	9.19
Model <- MOO	0.26	0.26	0.07	0.07	3.42
Model10 <- MOO	0.42	0.41	0.08	0.08	5.08
Model11 <- MOO	0.38	0.37	0.09	0.09	4.06
Model12 <- MOO	0.42	0.41	0.08	0.08	5.12
Mode3 <- MOO	0.33	0.33	0.07	0.07	4.46
Mode4 <- MOO	0.41	0.40	0.08	0.08	4.81
Mode5 <- MOO	0.55	0.55	0.07	0.07	7.35
Mode6 <- MOO	0.60	0.59	0.07	0.07	8.11
Mode7 <- MOO	0.80	0.80	0.02	0.02	32.36
Mode8 <- MOO	0.77	0.76	0.03	0.03	24.68
Mode9 <- MOO	0.78	0.78	0.03	0.03	26.38
Moti1 <- PULL	0.51	0.51	0.08	0.08	6.27
Moti10 <- PULL	0.14	0.14	0.08	0.08	1.81
Moti11 <- PULL	0.16	0.16	0.09	0.09	1.84
Moti12 <- PULL	0.13	0.13	0.08	0.08	1.59
Moti2 <- PULL	0.60	0.60	0.08	0.08	7.25
Moti3 <- PULL	0.44	0.44	0.09	0.09	4.76
Moti4 <- PULL	0.62	0.61	0.06	0.06	11.00
Moti5 <- PULL	0.70	0.70	0.06	0.06	11.82
Moti6 <- PULL	0.74	0.73	0.05	0.05	15.13
Moti7 <- PULL	0.60	0.59	0.07	0.07	9.17
Moti8 <- PULL	0.62	0.61	0.06	0.06	11.19
Moti9 <- PULL	0.71	0.70	0.03	0.03	21.40

Source: Field Survey, 2014.

Appendix 9: Results Summary for Reflective Outer Models

Classes of Motivation	Latent Factors	Indicators	Loadings	indicators reliability loadings2	AVE	Composite Reliability	Cronbach's Alpha	Commonality
Demotivating Factors	RSK	Demo1	0.72	0.85	0.58	0.81	0.64	0.58
		Demo2	0.80	0.90				
		Demo12	0.76	0.87				
	COL	Demo6	0.89	0.94	0.69	0.82	0.56	0.69
		Demo7	0.77	0.88				
	IRR	Demo10	0.74	0.86	0.55	0.79	0.60	0.55
		Demo11	0.75	0.87				
		Demo9	0.74	0.86				
	LTS	Demo4	0.86	0.93	0.70	0.82	0.57	0.70
		Demo5	0.80	0.90				
Motivating Factors	APF	Moti4	0.81	0.90	0.74	0.90	0.82	0.74
		Moti5	0.90	0.95				
		Moti6	0.87	0.93				
	HOM	Moti1	0.77	0.88	0.66	0.85	0.74	0.66
		Moti2	0.89	0.94				
		Moti3	0.77	0.88				
	EEN	Moti10	0.76	0.87	0.64	0.84	0.72	0.64
		Moti11	0.87	0.94				
		Moti12	0.77	0.88				
	SLH	Moti7	0.79	0.89	0.61	0.82	0.68	0.61
		Moti8	0.82	0.91				
		Moti9	0.73	0.86				
Moderating Factors	CTA	Mode7	0.86	0.93	0.78	0.91	0.86	0.788
		Mode8	0.89	0.94				
		Mode9	0.90	0.95				
	P&R	Mode4	0.72	0.85	0.69	0.87	0.786	0.69
		Mode5	0.88	0.94				
		Mode6	0.88	0.94				
	TRT	Mode10	0.83	0.91	0.62	0.83	0.70	0.62
		Mode11	0.74	0.86				
		Mode12	0.78	0.89				
	SCC	Mode1	0.72	0.85	0.62	0.76	0.39	0.62
		Mode2	0.84	0.92				

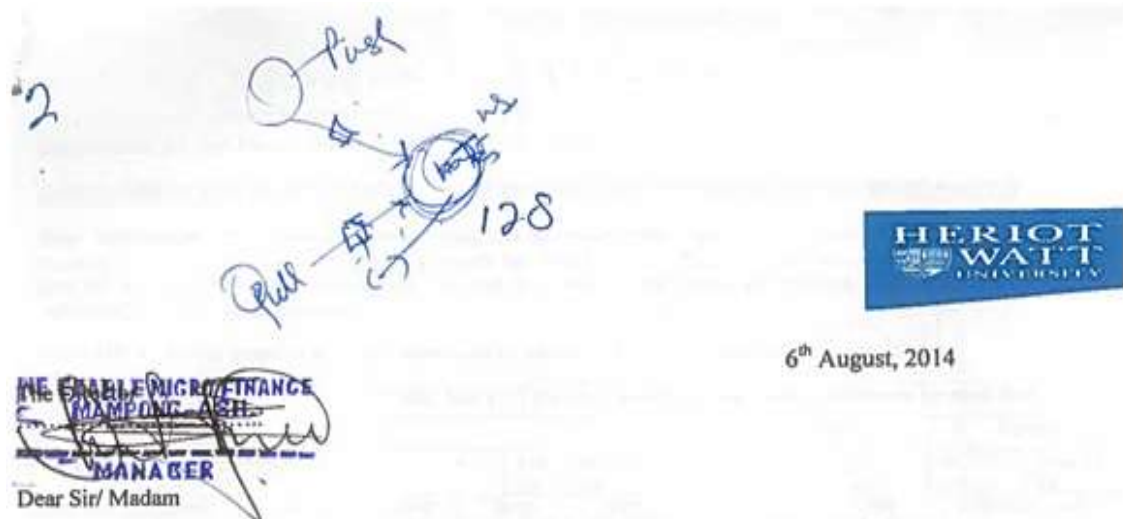
Source: Field Survey, 2014.

Appendix 10: Forll-Larcker Criterion Analysis for Checking Discriminant Validity

	APF	COL	CTA	EEN	HOM	IRR	LTS	P&R	RSK	SCC	SLH	TRT
APF	0.86											
COL	0.06	0.83										
CTA	0.16	0.15	0.88									
EEN	0.02	0.11	0.02	0.80								
HOM	0.20	0.15	0.20	0.10	0.81							
IRR	0.18	0.34	0.17	0.02	0.11	0.74						
LTS	0.03	0.36	0.04	0.07	-0.02	0.17	0.84					
P&R	0.19	-0.01	0.34	0.03	0.10	0.06	0.04	0.83				
RSK	0.01	0.45	0.04	-0.00	-0.00	0.29	0.17	0.07	0.76			
SCC	0.03	0.28	0.23	0.01	0.24	0.18	-0.05	0.21	0.26	0.79		
SLH	0.54	0.24	0.23	0.13	0.37	0.27	0.12	0.21	0.09	0.29	0.78	
TRT	0.06	0.07	0.36	-0.01	0.11	0.05	0.00	0.00	-0.08	0.03	0.00	0.79

Source: Field Survey, 2014.

Appendix 11: Cover Letter



REQUEST FOR PARTICIPATION IN A PhD RESEARCH SURVEY

I am a PhD candidate of Heriot-Watt University, Edinburgh UK conducting a research on *The Role of Microfinance as an Innovative Strategy for Low-income Housing Delivery in Developing Countries*. Secondly, an understanding of the motivation factors for Housing Microfinance adoption by both Microfinance Institutions and low income groups is important to the scalability and sustainability of its operations in developing countries context. My supervisors are Professor Mark Stephens (primary supervisor) and Professor Colin A. Jones (secondary supervisor). In summary, the research key objectives in addition to the aim are:

1. To identify and evaluate the motivations behind MFIs intention on whether to enter the housing market
2. To determine and assess the motivations behind low-income groups decision on whether to use HMF to meet their housing needs
3. To evaluate the success of HMF as a means to meet the housing needs of low-income groups
4. To ascertain the barriers and constraints on both supply and demand sides with the use of HMF
5. To discover the potential risk factors associated with the provision and use of HMF to meet the housing needs of low-income groups
6. To recommend measures that can improve the effectiveness of HMF delivery in Ghana

As a key stakeholder, your views are important in this research and I would be grateful if you could grant me an interview. I would like to assure you that the information you provide in the interview would be treated confidentially and anonymously and would be used solely for the purpose of this research.

Thank you for your assistance.

Francis K Bondimuba
Principal Investigator

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Appendix 12: Short Form to Ascertain Low-income Groups Use and Non-use of HMF



SHORT QUESTIONNAIRE ON HOUSING MICROFINANCE USAGE AND NON-USAGE AMONG LOW INCOME GROUPS

Dear Sir/Madam, this questionnaire is designed to collect information about whether you have use housing microfinance in the past. Please feel free to respond to the questions. All information you give will be used for only academic purpose, and your identity and responses will **not** be disclosed. It will take about 20 minutes to complete it. **Full title of Project:** **The Role of Microfinance as an Innovative Strategy for Low-income Housing Delivery in Developing Countries.**

Please Initial Box		
1. Have you ever used any products from a Microfinance institution to meet your housing needs in the past?	Yes	<input checked="checked" type="checkbox"/>
	No	<input type="checkbox"/>
<u>Baba Atah</u>	<u>17-10-2014</u>	<u>[Signature]</u>
Name of Participant	Date	Signature
<u>Francis K. Bondinuba</u>	<u>17th Oct. 2014</u>	<u>[Signature]</u>
Name of Researcher	Date	Signature

Appendix 13: Consent of Participation Form



RESEARCH ETHICS: CONSENT FORM

Full title of Project: **The Role of Microfinance as an Innovative Strategy for Low-income Housing Delivery in Developing Countries**

Name, position and contact address of Researcher:

Francis K. Bondinuba, Principal Investigator

Contact Address:

United Kingdom

William Arrol Building, Room G.15
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Heriot-Watt University, EH14 4AS, UK
Tel: +44 (0) 7425805297
E-mail: fkb30@hw.ac.uk

Ghana

Department of Building Technology
School of the Built and Natural Environment
Kumasi Polytechnic, Ghana
Tel: +233 (0) 208324830
E-mail: francis.kbondinuba@kpoly.edu.gh

Please Initial Box

1. I confirm that I have read and understand the information Sheet for the above study and have had the opportunity to ask questions.
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.
3. I agree to take part in the above study.



Note for researchers: Include the following statements if appropriate, or delete from your consent form:

4. I agree to the interview / focus group / consultation being audio recorded.
5. I agree to the interview / focus group / consultation being video recorded.
6. I agree to the use of anonymised quotes in publications.



Baba A. A. A.
Name of Participant

17-10-2014
Date

[Signature]
Signature

Francis K. Bondinuba
Name of Researcher

Date

Signature

Appendix 14: Housing Microfinance Institutions Interviews Questionnaire

INTERVIEW GUIDE FOR MFIs, S&Ls AND BANKS OFFERING HOUSING MICROFINANCE IN GHANA

Introduction:

Support for low income housing especially progressive housing in Ghana has received little attention by government. Financing and development of low income housing is largely driven by individual households through their sweat equity though it has been recognized that this type of housing cater for the housing needs of many Ghanaians. This survey is an instrument for my PhD in urban studies thesis on — [The Role of Microfinance as an Innovative Strategy for Low-income Housing Delivery in Developing Countries](#). Your contribution is of high relevance for us and all people accessing shelter through low income housing delivery process in Ghana.

Name of Institution:

Name of interviewee:

Position in the organisation:

Date and time of interview:

1. Can you tell me when you first introduced HMF product in your organisation?
2. What are the factors that motivate your firm to introduce HMF into the housing market?
3. Can you explain the processes you go through in the introduction of this product?
4. What are your main sources of funding for the HMF operations?
5. Who are your target groups for your HMF product?
 - a. *Probe:* What do you think makes your target groups patronise this product more than other products?
6. Can you tell me the criteria you normally use to identify these target groups?
7. What other services does your firm provide other than financial services to your clients and what other new products do you intend to introduce in the near future?
8. Can you explain the processes or steps involved in accessing your HMF product?
9. Does your firm adopt the provider or facilitator strategy in delivering HMF to your client and which of them is widely acceptable to your clients?
10. What are the eligibility criteria as well as the terms and conditions for accessing your HMF facility?

11. What is the proportion of HMF loans to the total loan portfolio of your organisation in the last 12 months?
 - a. What is the largest amount of loan granted to a single customer for meeting his/ her housing needs?
 - b. Since its introduction, how many clients have benefitted from it?
 - c. In your opinion, has this product made the necessary or expected impacts on the needs of the target group?
12. Are you currently in competition with other firms in the housing market with HMF products in the country?
13. Many microfinance organisations are failing, what do you think are the main challenges (**tries to prevent or hinder firms**) confronting some of these organisations, and how can these be overcome?
14. What are the barriers and constraints (**problems in the course of operations**) on both demand and supply sides to the provision of HMF?
15. What critical factors would you consider militate against the effectiveness of HMF delivery in Ghana? HINT (**Macro factors in the business environment in Ghana - PESTEL**)
16. What are the risks associated with the use of HMF in the provision of housing?
17. What strategies have you put in place to minimise the effect of these risks?
18. In your opinion would you consider HMF as an innovative strategy and what makes it an innovative strategy?
19. In your opinion, has the Government done enough to support the microfinance sector and what are your perceptions of the future of HMF in Ghana?
20. What measures do you think could improve the effectiveness of HMF in meeting the housing needs of low-income groups in the country?

Thank you for taking time to respond to this interview!

Appendix 15: General Microfinance Institutions Survey Questionnaire

QUESTIONNAIRE FOR MICRO FINANCE INSTITUTIONS (MFIs) NOT PROVIDING HOUSING MICRO FINANCE

Dear Sir/Madam, this questionnaire is designed to collect information about your firm's intention to enter the housing market with Housing Microfinance (HMF) in Ghana. Please feel free to respond to the questions. All information you give will be used for only academic purpose, and your identity and responses will not be disclosed. It will take about 20 minutes to complete it.

SECTION A: Kindly respond to these statements to reflect your personal feelings and perceptions.

SECTION A: BIO DATA		OPTIONS: Tick [✓] the appropriate and applicable responses for each item									
What is your gender?		Male					Female				
Which age group do you belong? (years)		≤18 yrs	18-25 yrs	26-31 yrs	32-36 yrs	37-41 yrs	42-50 yrs	Over 51 yrs.			
What is your estimated monthly income (GH₵)		No income	≤ GH₵ 100	GH₵ 101 - 500	GH₵ 501-1000	GH₵ 1001-2000	GH₵ 2001 - 5000	GH₵ 5001 and Above			
What is your highest educational qualification or its equivalent?		BECE		SSCE/ WASSCE	Diploma/ HND	Bachelor's degree	Master's degree	PhD	Other		
When was your firm established?											
How long has your firm been operating as MFIs?		≤ 5 yrs	5 - 9 yrs	10 - 14 yrs	15-19 yrs	20 - 24 yrs	25 yrs and above				
What are your firm sources of finance for its Microfinance operations?		Bank loans		contribution of partners		Borrowers savings	share capital	Donor agencies/ gov't			
What is the estimated range of your firm's annual income?		≤ GH₵ 10,000	GH₵ 10,001- 20,000	GH₵ 20,001- 30,000	GH₵ 30,001- 40,000	Above GH₵ 40,000					
Which of the following Microfinance products do your firm offer?		Micro savings		Micro enterprise credits		Micro insurance	Housing Microfinance		others		
Who are your targeted income groups		Low-income groups		Middle income groups		Upper income groups		All			
Have you heard of housing micro finance?		Yes					No				
Do you have the intention of adopting HMF as part of your business operations in the near future		Yes					No				
How likely is your firm considering the introduction of HMF?		Very unlikely		Unlikely		Neutral	Likely	Very likely			
HMF can be considered as an innovative strategy in the Housing market		strongly agree		agree		neutral	disagree	strongly disagree			
SECTION B - : Below are Pull factors (motivation factors) that <u>MAY</u> motivate your firm to enter the housing market. Tick [✓] the appropriate and applicable responses for each item											
To what extent do you agree or disagree with the following statement about factors that <u>MAY</u> attract your firm to enter the housing market? Your firm may consider introducing HMF for the housing market because:					strongly agree	agree	neutral	disagree	Strongly disagree		
There is a very large and available low-income housing market in the country											
There is a high demand for housing in the country											
There is high preference for homeownership than renting in Ghana											
Your firm appetite to increase profit											
There are available local resources (labour, materials etc.)											
The local housing market has unique features and products											
Your firm appetite and desire for expansion											
The low-income housing market offers an opportunity for growth											
Offering HMF would create an opportunity for resource leverage											
Government housing policy towards homeownership is motivating											
There is a flexibility of entry into the low-income housing market											
There is a flexibility in risk and knowledge sharing in the housing market											
SECTION C - : Below are Push factors (Demotivation factors) that <u>MAY NOT</u> motivate your firm to enter the housing market. Tick [✓] the appropriate and applicable responses for each item.											
To what extent do you agree or disagree with the following statement about factors that <u>MAY NOT</u> attract your firm to enter the housing market? Your firm may not consider introducing HMF for the housing market because:					strongly agree	agree	neutral	disagree	strongly disagree		
There is a high rate of fold-up among MFIs which offer HMF											
HMF delivery with other products portfolio's is highly risky											
Low-income housing delivery is capital intensive and involves capital lock up											
The purchase price and cost of land is generally high											
There is lack of security of land tenure in the country											
There is a high cost and prices for building materials in the country											
Low-income groups often lack sufficient collaterals											

There is ineffective collateral registry to regulate collaterals					
There is high interest rates in accessing bank loans to operate HMF portfolio					
Unequal interest on HMF makes it difficult to operate with other products					
HMF loans require higher interest rates than other products					
There is lack of sustainable source of funding for HMF operations					
There is generally low income among low-income groups					
SECTION D - : Below are mooring factors (moderating factors) that may affect your firm <u>DECISION WHETHER TO ENTER</u> the housing market. tick [✓] the appropriate and applicable responses for each item					
<i>To what extent do you agree or disagree with the following statement about factors that determine your firm's decision <u>WHETHER TO ENTER</u> the housing market? Your firm may be unable or able to enter into the housing market with HMF because:</i>	<i>Strongly agree</i>	<i>agree</i>	<i>neutral</i>	<i>disagree</i>	<i>strongly disagree</i>
Trust and trustworthiness of clients influence or affect your lending decisions					
Knowledge of client's social ties affects lending decisions					
Peer recommendations about a client affects the firm's lending decisions					
An effective housing policy on the role of Microfinance may affects your firm decisions					
Effective government regulatory agencies may encourage or affect your firm decisions					
Government sound economic policies may affect your decision					
The availability of CTA providers may affects your decisions					
Your firm ability to afford CTA services may affects your decision					
CTA service is very important in HMF delivery					
Low income groups willingness to repay loans may affects your firm decision					
Low income groups have diverse and innovative forms of collateral can affects your firm decision					
Group membership/ trust facilitate loan portfolio packaging can affects your firm decision					

Thank you for taking time to respond to this questionnaire

Appendix 16: Focus Group Discussions Interview Protocol

Focus Group Discussions protocol for both HMF Users and Non-HMF Users in both Accra and Kumasi

Introduction:

Support for low-income housing especially progressive housing in Ghana has received little attention by government. Financing and development of low income housing is largely driven by individual households through their sweat equity although, it has been recognized that this type of housing cater for the housing needs of many Ghanaians. This survey is part of instrument for my PhD in urban studies thesis on: **The Role of Microfinance as an Innovative Strategy for Low-income Housing Delivery in Developing Countries**. Your contribution is of high relevance for the researcher and all people accessing shelter through low-income housing delivery process in Ghana.

Name of participants :
Place of meeting :
Date and time of meeting :

Ground rules of focus group discussions

Please speak one at a time; I want to ensure that everyone has an opportunity to give their views. Do respect the opinions of others - everyone's views are valid although you might not agree with them. There are no right or wrong answers – I just want your opinions and what you think about the subject matter under discussions. If anyone has any specific questions that do not relate to the discussion, there will be an opportunity at the end of the meeting. I wish all of you stay to the end of the discussion however you can leave earlier if you need to.

A - Bio Data of participants

1. Can each of you tell the group your name, whether you are working or retired, staying alone or with your family and what is the size of your family?
2. Are you the head of the family or a member of the family?
3. Can each of you give an idea of your age?
4. What is your estimated monthly income?
5. Is anybody among you having PhD, MSc, BSc or other qualifications? Please name them

B - Towards an understanding of low-income groups housing needs

6. I would like to know about what aspect of housing do you consider as your housing needs and whether you currently have some housing need to be met?
 - a. How have you in the past or intend to meet these housing needs?
 - b. Will you consider HMF as an option in meeting the above housing needs?
 - c. In what ways do you think HMF will be helpful or not helpful in this regard to you?

C -Towards an understating of HMF delivery

7. Have any of you taken a microfinance loan facility before and what type of products was it for?
8. How long have you been on this facility and what sources of finance do you use to servicing it by way of repayment?

9. Now imagine that you are part of a committee of local people designing HMF strategy for your community or peer group to meet their housing needs.
 - a. What factors would attract you to patronise HMF instead of other form of finance to meet your housing needs?
 - b. Should HMF products delivery to you using provider or facilitator paradigm approach?

D - Motivational factors for Low income group's decision to use HMF

10. How do factors such as high cost of land, materials, tenure, interest rate and your income level affects your decision to take or not to take HMF loan for housing?
 - a. Among the factors we just discussed which of them will you consider being the most critical and how do they affect your decision, positively or negatively?
11. How do other factors such as peer group dynamics, your desire to own a house and the availability and attractiveness of HMF facility affects your decision to take or not to take HMF facility for housing?
 - b. Among these factors which of them will you consider being the most critical and how do they affect your decision, positively or negatively?
12. What role in your opinion could the under listed factors play in mitigating both negative and positive factors affecting your decisions to take or not to take HMF facility?
 - a. Social cultural capital
 - b. Trust among you and your peer group
 - c. Prevailing housing policies
 - d. Borrower selection criterion

E - The impact of HMF on low income groups housing improvements or delivery process.

13. From your experience will you support those who believe HMF has the potential of improving low-income groups' social economic status or those who believe HMF will rather impoverish low-income groups' social economic status?
 - a. In what way do you think so?

F - Barriers and constrains in HMF delivery

14. What are some of the obstacles or reasons why you might be hesitant to take HMF facility to meet your housing needs?
15. What are some of the factors you will consider critical that could help alleviate these obstacles and make you feel attracted into adopting HMF for your housing needs?
16. Can you let us know from your experience whether you anticipate any risk involve in you taking HMF for your housing needs?

G - Factors of low income housing delivery through HMF delivery

17. How does the HMF strategy adopted affect factors such as the overall cost, the quality, quantity and the time use in completing your housing improvement or construction?

H - Ways of improving the effectiveness of HMF delivery

18. What should HMF providers keep in mind in their quest to make HMF accessible, availability and affordable to you?
19. Could any of you suggest ways in which HMF operations could be improve in terms of policy, culture, financial accessibility, availability and affordability to you?
20. Is there anything else we haven't discussed yet that you think is important for us to know about as we consider HMF as an effective means of meeting your housing needs?

Thank you so much for your time!

Appendix 17: Email Correspondence with Housing Microfinance Institutions

All folders

11/12/2014

Bondinba, Francis K

No contact

Dear Sir: A big thank you for your letter...

11/12/2014

Judith Arthur

Re: Confirmation of results

Dear Mr Arthur: When thinking you for...

11/12/2014

Bondinba, Francis K

Confirmation of results

Dear Mr Arthur: When thinking you for...

11/12/2014

Bondinba, Francis K

Re: Interview due 2nd Apr

Dear Sir: Please find attached 3 documents...

11/12/2014

Bondinba, Francis K

Re: Interview

Dear Prof Mark and Colin: Please find att...

11/12/2014

Bondinba, Francis K

Re: progress reports

Dear Prof Mark Colin: Study find attach...

11/12/2014

Bondinba, Francis K

progress reports

Dear Prof Mark Colin: Please find attach...

11/12/2014

Bondinba, Francis K

Re: request for an interview

Dear Prof Mark: Please find attached the...

11/12/2014

Joyce Owusu-Dabo

Re: request for an interview

Dear Francis: Thanks for the email. Yours...

11/12/2014

Bondinba, Francis K

Re: request for an interview

11/12/2014

RE: request for an interview

Joyce Owusu-Dabo <jodabo@ghs-gda.com>

11/12/2014

Bondinba, Francis K

11/12/2014

Re: request for an interview

Dear Francis:

Thanks for the email.

You are come to our head office in Kumasi on Monday, 28th at 11am. Besides, I ask that you forward to us a copy of your questionnaire as well as your research work objective and any information that shall be relevant to me in this matter before we meet.

Best regards

Joyce Owusu-Dabo
Chief, Programmes Officer
Ghana Aka Trust
22A 28th Avenue, Nhyira
P.O. Box 4822, Kumasi
Ashanti Region
Ghana - West Africa
Tel: +233 (0) 3220 27231 / 31112 / 49356
Fax: +233 (0) 3220 10483
Website: www.ghs-gda.com

Transforming Lives Through Microfinance

-----Original Message-----
From: Bondinba, Francis K <francis.k.bondinba@heriot-watt.ac.uk>
Sent: Friday, December 26, 2014 12:24:40
To: jodabo@ghs-gda.com
Subject: RE: request for an interview

Dear Madam

I hope all is well. Just to check on you whether you have been able to find a place on your calendar to do my request. I hope you will help transform lives, not only through microfinance but through research as well. Within my stay for the last one month I realised the market for housing microfinance

All folders

11/12/2014

DeGraft Owusu-Kita

Re: Draft

Dear Dr Bondinba, Thank you for the...

11/12/2014

Judith Arthur

Re: Confirmation of results

Dear Mr Arthur: When thinking you for...

11/12/2014

Bondinba, Francis K

Re: Progress

Dear Prof Mark and Colin: I am happy all...

11/12/2014

Bondinba, Francis K

Re: Interview

Dear Prof Mark and Colin: Please find att...

11/12/2014

Bondinba, Francis K

Re: progress reports

Dear Prof Mark Colin: Study find attach...

11/12/2014

Bondinba, Francis K

11/12/2014

Re: Confirmation of results

Judith Arthur <jarthur@disapubba.com>

11/12/2014

Bondinba, Francis K, Judith Arthur <jarthur@disapubba.com>

now we have 450 diets or beneficiaries.

loan is also for individual and groups.

Thanks;

On Fri, Dec 11, 2015 at 10:52 AM, Bondinba, Francis K <francis.k.bondinba@heriot-watt.ac.uk> wrote:
Dear Mr Arthur

While thanking you for the opportunity to have an interview with you, I am also wishing you a very happy Christmas and a happy new year. I have since returned to Scotland and have been able to analysed most of the data. However, I would be very glad if you could still assist in confirming the information on the attached sheet. Kindly amend any of the portions to reflect the current situation in case I got it wrong.

I am expected to get the final draft ready by June 2016 and will all of you updated on the progress.


With Best Wishes

Francis K. Bondinba
Institute for Social Policy, Housing, Environment and Real Estate,
School of Energy, Geosciences, Infrastructure and Society,
Heriot-Watt University-UK.
Email: francis.k.bondinba@heriot-watt.ac.uk

We invite research leaders and ambitious early career researchers to join us in leading and driving research in key inter-disciplinary themes. Please see www.hw.ac.uk/ResearchLeaders for further information and how to apply.

Heriot-Watt University is a Scottish charity registered under charity number SC060278.

Appendix 18: Extract of HMF Loan Application Form

Guarantor Bank Details Name of Bank: _____ Address of Bank: _____ Branch Name: _____ Branch Telephone Number: _____ Account Number: _____ How Long has account been open at this bank: _____	Guarantor Financial Information Monthly Income: _____ Monthly Wages/Salary: _____ Commission/Allowances: _____ Other Income: _____ Sub Total: _____ Current Rent Payment: _____ Net Income: _____	<div style="text-align: center;">  SINAPI ABA SAVINGS AND LOANS 'EFI PA' HOME LOAN APPLICATION FORM </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Branch Name: _____</td> <td style="width: 50%;">Loan Officer Name: _____</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> Applicant Data Surname: _____ Other Name: _____ Popular Name: _____ D.O.B: _____ Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female Marital Status: M _____ W _____ S _____ # of Dependents: _____ Spouse Name: _____ House Number: _____ Community Name: _____ Directions to House: _____ ID Type: Voters ID _____ License _____ Passport _____ National ID _____ ID Number: _____ Cell Phone: _____ Alternate Phone Contact: _____ </td> <td style="width: 50%; vertical-align: top;"> Loan Data Application Date: _____ Amount Requested: _____ No. of Months to Repay: _____ Description of Planned Loan Use: _____ Loan Amount Approved: _____ No. of Months Approved for Repayment: _____ Signed: _____ </td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> Type of Home Loan requested: (Please tick one) <input type="checkbox"/> 1. 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Level 4 </td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> Bank Details Name of Bank: _____ Address of Bank: _____ Branch Name: _____ Branch Telephone Number: _____ How long has account been Open at this Bank: _____ </td> <td style="width: 50%;"> Assets <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th>Type of Asset</th> <th>Value (in Cedis)</th> </tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </table> </td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> Employment Details Occupation: _____ Business Location: _____ Business Telephone No: _____ Length in Current Business: _____ Nature of Business: _____ </td> <td style="width: 50%;"> Property Details Date Property Visited: _____ Staff Member who Visited: _____ Latitude of Property: _____ Longitude of Property: _____ Pictures Taken of Property: Yes _____ No _____ Property Number (if not current residence): _____ Community of Property: _____ Description of Property Location: _____ Length of Time Property Occupied: _____ Property Currently Under Construction: Yes _____ No _____ Number of Bedrooms: _____ Estimated value of Property (in Cedis): _____ </td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> Property Rights Property is: Freehold _____ Leasehold _____ If Leasehold, when is Lease Expiration: _____ Are there any restrictions to the property (zoning, etc.), if yes, describe: _____ Are there any disputes regarding property boundaries or right to property? 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We declare that all the information given above and in any attachment is true and accurate and is to be regarded as forming part of any subsequent contract with you and any insurers and acknowledge that I/We will be liable for any loss suffered by you/them as a result of any reliance upon my/our statement.

I/We authorize any enquiries considered necessary for the confirmation of the above particulars and for credit assessment and I/We authorize the disclosure of any information relating to this application to the other applicant(s) credit reference agencies and to any other person acting on your behalf.

I/We understand that you reserve the right to withdraw the home loan offer at any time upon receipt of any adverse information.

I/We acknowledge that you may withdraw any offer you made and/or demand repayment of any home loan in the event that I/We make a false declaration.

I/We understand that you register information about me/us and the conduct of my/our account with any licensed credit reference agency. This information is used to assist in making credit decisions and to help prevent fraud or for tracing violations.

I/We understand that all fees payable in advance and is not refundable once expended whether or not an offer of a loan is made and I/We accept that you have no responsibility to me/us or any other person as to the value or condition of the property.

I/We agree to be bound by the Rules of the Housing Finance Program (as may be varied from time to time).

I/We appreciate that this application may be declined without stating a reason.

I/We understand that any home loan together with any collateral security that may result from this application may at your discretion be transferred/assigned and used in relation to a securitization program. I/We agree that this may happen on the basis that my/our rights under the relevant home loan

Signed: _____ Date: _____ Signed: _____ Date: _____ (Borrower) (Co-Borrower)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th>ITEM</th> <th>Daily</th> <th>Weekly</th> <th>Bi-Weekly</th> <th>Monthly</th> <th>Monthly Equivalent</th> </tr> <tr><td>Business Inflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Sales</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Business 1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Business 2</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Total Business Inflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Business Outflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Purchase/Cost of Goods</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Business 1</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Business 2</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Salaries / Wages</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Rent</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Transportation</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Utilities</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Fuel</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Taxes/Licenses</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Others</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Total Business Outflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Net Business Cashflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Household Inflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Salaries/Wages</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Rent-Income</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Others</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Total Household Inflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Household Outflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Fuel</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Utilities</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Education</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Others</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Total Household Outflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Net Cashflow</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Equivalence</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Daily</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Weekly</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Bi-Weekly</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Monthly</td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>Amount for Debt Service</td><td></td><td></td><td></td><td></td><td></td></tr> </table>	ITEM	Daily	Weekly	Bi-Weekly	Monthly	Monthly Equivalent	Business Inflow						Sales						Business 1						Business 2						Total Business Inflow						Business Outflow						Purchase/Cost of Goods						Business 1						Business 2						Salaries / Wages						Rent						Transportation						Utilities						Fuel						Taxes/Licenses						Others						Total Business Outflow						Net Business Cashflow						Household Inflow						Salaries/Wages						Rent-Income						Others						Total Household Inflow						Household Outflow						Fuel						Utilities						Education						Others						Total Household Outflow						Net Cashflow						Equivalence						Daily						Weekly						Bi-Weekly						Monthly						Amount for Debt Service					
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Maximum Loan Determination Discount Rate _____ Interest _____ No. of Installment _____ Loan Term (months) _____ Loan Amount Calculated _____	Financial Service Officer's Comments Financial Officer's Signature: _____
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Appendix 19: Extract of Some Transcripts of the Interviews

Name of institution : Opportunity International Savings and Loans Ltd.
 Name of interviewee : John May
 Position in the organisation : Marketing Manager
 Date and time of interview :
 Time lasted : 19-13 minutes

Ques.1. Can you tell me when you first introduced a HMF product in your organisation?

It was a result of a collaborative survey between Opportunity International and Young Alpha Trust Savings and Loans companies between 2008 and 2010. It was revealed that there is a high level of demand for HMF in the country. Based on that we started HMF in this organisation.

Ques.2. what are the factors that motivate your firm to introduce HMF into the housing market?

There are many factors behind our introduction of HMF. Some are:
Our previous experience of the market: Experience in micro credit, trade loans and other financial advisory services and base on previous research on the low income housing market by Habitat for Humanity. This research also shows that a majority of our clients were able to see past of their enterprise loans to solve more aspects of their housing needs.

Philosophical Orientation: **Yielded goals:** Client-focused products were being requested to integrate HMF as a client focus product that responds to the needs and interests of our target client.

High demand for housing finance: There are a very number number of both low and middle dwellers in Ghana urban centers which are over 15% urbanized. It serves as a motivation and as an opportunity for HMF to arise.

Increase in financial portfolio and customer base: HMF product addition is in response to the need of our existing and new customers. HMF helps us to build a security base where we are able to advance higher loans to our clients.

Mitigation of risk: The addition of HMF helps mitigate the failure of other products due to its long term nature.

Product diversification: HMF is as a result of products refinements that makes other portfolios very attractive.

Improve and build customer loyalty: Loyalty in terms of existing customers of our other products and also staying with us the HMF instead of leaving the other firms.

High demand for housing: Over 90% of Ghanaian houses are built through self-built largely through the process of incremental building.

Regulations and policies: Draft housing policies seems encouraging for players in the low-income housing sector. With the realisation of some others such you will create greater awareness and acceptance of HMF and related products with the land administration reforms and system put in place, the HMF industry has room for both new and existing players.

Ques.3. Can you explain the processes you go through in the introduction of this product?

Yes, in conjunction with Habitat International, we did a pilot one year and we are doing the second phase of the pilot which we are, you currently with Habitat International. So they are the technical people behind the introduction of the HMF and currently we are doing another project the same housing the phase two of the pilot.

Ques.4. what are your main sources of funding for the HMF operations?

Main sources: Client savings/deposit, equity from our shareholders, donor support (USAID), NGO, collaborating business partners (Habitat for Humanity), others source we are considering are: MFIs can explore all form of Guarantees and the capital market as it can be the largest source of financing. Private Placement of Securities This funding strategy involves the MFI offering security (shares or bonds) not to the public but to individuals as a small amount of securities. Factstream-MFIs can partner with money funds.

Ques.11. what is the proportion of HMF loans in the total loan portfolio of your organisation in the last 12 months?

What is the largest amount of loan granted to a single customer for meeting his/her housing needs?

Since its introduction, how many clients have benefited from it?

In your opinion, has this product made the necessary or expected impacts on the needs of the target group?

Verbal and physical observations of some of our clients indicate that they are able to meet their housing needs. By providing small loans to low income households help creates relationships between us as lenders and low income borrowers that promote respect and maintain dignity. Some low income households have increased the investments in their housing properties. The use of loans to finance housing is both a tool and innovative strategies for extending outside our resources to low income earners that builds on their own and are willingness to invest in their housing situation.

Ques.12. Are you currently in competition with other firms in the housing market with HMF products in the country?

There are others coming in but since it's a green area the competition is not much and with the wide market it's depends on your ability to absorb risk.

Ques.13. many microfinance organisation are failing, what do you think are the main challenges (tries to prevent or hinder firms) confronting some of these organisations, and how can these be overcome?

Giving out deposits as loans. Improper management of funds. Lack of risk and management skills. Lack of enough capital to finance construction project. There is higher operational cost in housing. Lack of proper mechanism, strategy, system to monitor, monitor and recover housing loans. Improper assessments of the risk in the industry. Mentorship could be the appropriate strategy to adapt.

Ques.14. What are the barriers and constraints (problems in the course of operations) on both demand and supply sides to the provision of HMF?

On the demand side are low income of low income earners. People preference for rented housing in Ghana is growing higher than home ownership. The under scale nature of most of the MFIs operating HMF is not making people appreciate the benefits of HMF.

On the supply side: Volatile inflation environment makes most collateral depreciate very fast. Improper registry of assets and property registry of collateral. Incomplete and low registration of houses and land difficulty in title transfer. Improper pricing of HMF (not accounts of materials prices, HSS, and the loan itself). Loss of value in long term funding. The culture of nuclear family is going globally in Ghana and the Ghanaian tastes for foreign materials has increase the problems of housing in the country.

Ques.15. what critical factors would you consider militate against the effectiveness of HMF delivery in Ghana? HINT (Macro factors in the business environment in Ghana - PESTEL)

Lack of legal framework, long delays in court procedures when there is an issue of litigation of non-payments of loans. There is a backlog of land title applications. Lack of secured and transparent of titles which perpetuates multiple sales of lands. The backlog has given rise to ineffective land market in Ghana. Lack of formal security development through land and housing. Lack of collateral registry by individuals. High cost of materials, lands price increases, land litigation. Unstable currency. Lack of education on the use of local material development and technology in the country. Lack of government enforcing a strong political will to spear head the delivery of housing particular towards the low income brackets.

Ques.16. what are the risks associated with the use of HMF in the provision of housing?

and institutions to raise more capital to finance housing. Other forms of partnership can come from the provision of credit facilities, and mutual outsourcing arrangements.

Ques.5. Who is your target groups for your HMF product?

Generally, Low income households but as a business entity, our doors are open. We served both salaried and self-employed as we believe in a policy of inclusion and not exclusion. As many as will request loan from our products we are willing to serve them. Our beneficiary is the amount to loan.

Probe: What do you think makes your target groups perceive this product more than other products?

We still at the pilot stage and it would be very difficult to give concrete reasons for the preference. We have also not yet done any serious impact assessment as it. However, housing being basic needs in the fundamental reasons behind the preference. Most of our clients main motive is to earn sustainable livelihood. When this is solved, then their next level is to accommodate asset and hence housing. But across to finance being major barriers the providers of HMF becomes a very useful institution, which they perceived.

Ques.6. Can you tell me the criteria you normally use to identify these target groups?

We often carry out open door adverts on radio, direct sales through our loan officers who offer financial literacy programmes. At such forums, they introduce HMF alongside other products.

Ques.7. what other services does your firm provide other than financial service to your clients and what other new products do you intend to introduce in the near future?

We are looking at the youth apprenticeship programme which vulnerable youth acquire technical training the enable them to get employable skills and start a living. We usually send them to take up working capital for activity or skills such as construction, tourism and agriculture fields. We train and equipped them with logistics to go and start their business out of which we can also give them loanable funds as start-up capital.

Ques.8. Can you explain the processes or steps involved in accessing your HMF product?

We assess their repayment strength through the knowledge of their cash flow. We use our debt-to-equity ratio formula to further assess their ability to pay. Finally, we assess their need in line of our loan guidelines whether they merit the request.

Ques.9. Does your firm adopt the provider or facilitator strategy in delivering HMF to your client and which of them is widely acceptable to your clients?

We have technical officers from Habitat for Humanity who supports and provides different levels of assistance to our clients. It depends on the degree of your needs, our technical staff would visit the site to observe and assess your needs. We adopt the facilitator due to our sponsors interest and understanding that it's the best fit for the poor. People built in dams and other unapproved areas. Habitat for Humanity knowing very well of this problem decided to provide such services to at a lower cost to our clients.

Ques.10. what are the eligibility criteria as well as the terms and conditions for accessing your HMF facility?

The basic criteria are you should be of 18years and above, location not outside our operational areas. The general identity must operate a credible and legal business or gainful employment. We operate two schemes- incremental building, and home improvements. We demand a security of value of 100- 110% of the amount requested. Higher amount requires consumer use collateral of either fixed deposits, stock etc. We consider depreciation for your collateral.

Government inability to regulate both land and housing markets. High interest, the interest rate environment does not favour long term lending i.e. term mismatch. Land price speculation in the country. Rapid urbanisation is putting much pressure on land in our urban centers.

Ques.17. what strategies have you put in place to minimise the effect of these risks?

All the above are exogenous risk factors which we cannot mitigate except government economic policies.

Ques.18. In your opinion has the Government done enough to support the microfinance sector and what are your perceptions of the future of HMF in Ghana?

Government is doing its best through the BOG but should do more through the mobilisation of the maximum operational capital. Government could partner with us to explore the housing market so that we can collaborate to serve the market.

Ques.19. what measures do you think could improve the effectiveness of HMF in meeting the housing needs of LRI's in the country?

Any social oriented government should see the sector as a conduit for alleviating the suffering of the masses. The relevant authorities should intensify sensitisation as asset registration in the country. It's an innovative financing strategy in Ghana but we are yet to carry out an intensive marketing as it to the public.

Thank you for taking time to respond to this interview!

Appendix 20: Letter of Release for Data Collection



Appendix 21: A Summary Content Analysis of the three Interviews

		Motivational factors		
sn	Factors	(A): <i>Sinapi Aba Trust</i>	(B): <i>Opportunity International</i>	(C): <i>HFC Bank Savings and Loans</i>
1	Previous experience	(A1) Our previous experience in micro credit, savings, financial advisory services and insurance services gives us an encouragement that we are capable of delivery HMF	(B1) Experience in micro credit, trade loans and other financial advisory services and base on previous research on the low income housing market by Habitat for humanity	(C1) Initially mortgage financing through capital financing – we realized LIGs constitute the larger section of customer base who were successful in the MF but could not afford due to high cost and collateral requirement of the MF
2	Philosophical Orientation	(A2) <i>Social goods</i> we are a socially oriented institution who aim at making a social impact in the society through housing loans. The holistic and total transformation and reformation of our clients through housing activities is	(B2) Client-forward products are our compelling incentive HMF as a client focus new product that responds to the needs and wishes of our target clients	(C2) Motivation to break a market niche and expand. HMF serves as motivations and an integral part of our responsible lending philosophy.
3	High demand for housing finance	(A3) There is a huge unquantifiable demand for affordable finance for housing in the country especially for the inputs and renovations by LIGs.	(B3) There are a very sizable number of both low and middle dwellers in Ghana urban centers which is over 15% urbanized. It serves as a motivation and an opportunity for HMF to drive	(C3) There is evidence of smart high LIGs housing needs and demand for finance to meet these needs- repairs and new construction works.
4	Increase in financial portfolio and customer base	(A4) HMF has really become a very attractive option for diversifying our financial portfolio and increase our customer base	(B4) HMF product addition is in response to the need of our existing and new customers.	(C4) It helps us keep our existing customers who would have left due to lack of such a facility to serve them.
5	Mitigation of risk	(A5)	(B5) The addition of HMF helps mitigate the failure of other products	(C5)
6	Product diversification	(A6) It does contribute product innovations as product refinements are underway to make our HMF portfolio attractive	(B6) HMF is as a result of products refinements that makes other portfolios very attractive	(C6) It serves as an additional innovation to our existing products
7	Improved and build customer loyalty	(A7) It has really become a very attractive option for building client loyalty	(B7) Loyalty in terms of existing customers of our product and also staying with us for HMF saving of long the other firms.	(C7) Adding HMF help us retained most of our existing clients who are on other products
8	High demand for housing	(A8) There is quite a large and huge housing need of LIGs from land acquisition to repairs and renovations in the country	(B8) Over 30% of Ghanaian houses are built through self built largely through the process of incremental building	(C8) Urban and urban dwellers have accounted significantly therefore creating a very large market for low-income housing in the country
9	Regulations and policies	(A9) The establishment of centralized collateral registry in 2011 to strengthen access to credit serves as an incentive. BOG operation regulatory requirements - e.g. increased in the minimum stated capital for savings and loans companies from GH¢1 million to GH¢7 million which is almost twice our operating stated capital as at December 2012.	(B9) Draft housing policies seem encouraging for players in the Low-income housing sectors. With the inclusion of researchers such you will create greater awareness and acceptance of HMF and related products with the local administration reforms and system put in place, the HMF industry has room for both new and existing players.	(C9) The creation of a credit bureau is an incentive for HMF delivery in country. The relatively stable and growing economy also provides prospects for the growing demand for housing in the lower and middle income sectors. HMF has the potential to cater for the over 32 % of more Ghanaian. HFC Bank estimates that four out of five Ghanaian operate entirely outside of the formal financial system.
10	Target Group and Customer Base	(A10) Targeting LIGs clients. Our beneficiary is the amount to 480	(B10) LIGs and Middle income. Our beneficiary is the amount to 3000X	(C10) Existing LIGs clients. Our beneficiary is the amount to 470
Funding and HMF Impact Issues				
11	Source of funding	(A11) <i>Micro sources:</i> Bilateral and institutional donors support – USAID, Habitat international; <i>Others:</i> Personal loans- sponsors may come by selling some of personal efforts to raise the initial capital. <i>Finance Company:</i> though not very attractive due to high interest often charge by these companies. <i>Equity Capital:</i> Sponsors can deposit off partially their current to other services who would become part owners or partners. This is a very convenient way of raising capital as it does not involve direct obligations to repay. It's give management some degree of control on the activities of the organization.	(B11) <i>Micro sources:</i> Clients' savings-deposit, equity share, donor support, BOG, solidhousing business partners. <i>Others:</i> MFIs can explore all form of Ghanaian and the capital market as it can be the largest source of financing. <i>Private Placement of Securities:</i> This funding strategy involves the MFI offering security (shares or bonds) not to the public but to individuals or a small group of investors. <i>Partnering-MFIs</i> can partner with major banks and institutions to raise more capital to finance housing. Other form of partnership can come from the provision of credit facilities, and mutual endorsing arrangements.	(C11) <i>Micro sources:</i> Self financing from corporate share capital, other collaborating bus. Partners – CFIH international, <i>Others:</i> private or commercial capital. MFIs that have established themselves as market leaders and innovators can access private or commercial capital by demonstrating that their portfolios are low-risk class assets. If their assets are aligned to be truly low-risked, they could attract mainstream investors. <i>Debt Financing:</i> borrowing from other commercial sources to be paid with interest with an agreed period
12	Perceived impact of HMF	(A12) Client report on our impact assessment indicates that 170 people have been able to get a habitable place to live, happy homes with conducive environment for children study which also improved their health status due to improved housing sanitation, house lightning systems, good roof for their house. We are able to refine our social profits with both clients and their communities.	(B12) Some of our clients are able to meet their housing needs. By providing small loans to LIGs help creates relationships between us as lenders and LIGs as borrowers that promote respect and maintain dignity. Some LIGs have increased investments in their housing properties. The use of loan to finance housing is both a tool and innovative strategies for extending outside resources to LIGs that builds on their own and are willingness to invest in their housing situation.	(C12) 480 clients have benefited from LIH projects. Though there is no evidence of improvements in their income per household or wealth, there is an improvement in their housing conditions. Also no major impacts have been seen in the level of female empowerment or investment in other housing infrastructure such utility among others. HMF helps many generate momentous business benefits and increase our social effects.
Barriers, Constrains and challenges				
13	Barriers and Constrains in financing Low-income housing	(A13) Lack of government financial support. Low income levels as over 52% of Ghanaians live below \$2.00 a day in the country. Macroeconomic instability resulting in high rates of inflation and abnormal interest rates are typical features of the volatile economy of Ghana. Lack of sustainable and affordable funding sources. Legal barriers to the ability of property ownership making many unable to pledge residential property as collateral. Cultural barriers of "forgive" o loan as social goods.	(B13) The choice of ownership instead of rentals hinders large scale delivery. Lack of property and asset registration, difficulty in transfer of titles. Lack of registration of houses. Lack of trust among MFIs and clientele. In effective legal system for handling financial misconducts (delays and non-transparency in the legal system). Diverse and cross cultural issues on house ownership in Ghana.	(C13) Lack of information on borrower credit history- Clients concealing vital information. Land title remains a major barrier to the delivery of HMF. Legal barriers to use residential property as collateral. Cultural barriers to women housing ownership. Multiple sales of land. Government should encourage housing ownership and operate a housing finance system that blends policies that reflects the traditions and culture of the country.
14	Challenges in financing Low-income housing	(A14) Credits mis-management by LIGs. Expansion of operation by establishing more structures that increases operations cost. Difficulty in obtaining affordable funding. Low level of access to capital, limited coverage areas due to the informal and non-structured housing market and low savings culture of Ghanaians. Also, short-lived, unsustainable economic and housing policies, poor repayment records of most clients, inefficient administration and large capital lock up in financing housing. Lack of integration of MFIs activities with those of the formal banking arrangement. Lack of strong communications and electric infrastructure in Ghana makes the implementation of technology solutions via internet connectivity very impossible for most HMFs.	(B14) Improper management of loans by LIGs. Lack of proper risk management. High operational cost, clients' unwillingness to repay, improper debt management (recovery) strategies and mitigation factors, difficulty in verifying clients collateral due to delays in BOG update of client database on collaterals. BOG operation regulatory requirements - eg increased in the minimum stated capital for savings and loans companies from GH¢1 million to GH¢7 million which is almost twice our operating stated capital. Lack of sufficient expertise to offer CTA to both HMFs and LIGs in the country. Scalability, affordability and profitability are well known challenges across all regions. Lack of political will to fund housing.	(C14) Delay in updates of credit bureaus database on loan clients' and collateral registry. Lack of capacity building in the area of training staff purposely to administer HMF is a challenge. HMFs corporate governance and policy changes. Poor and lack of refinancing facilities options in the country. Standardisation in HMF is generally low. Lack of efficiency in the promotion of the HMF sector. Operating and financial expenses on housing are quite high than other microfinance products. Difficulty in reaching LIGs in other remote rural clients. Lack of HMF consumer protection and infrastructure inadequacy. High inflation, volatile exchange rate environment. Improper registration of land by clients.
Risk Factors				
15	Critical risk factors affecting the effectiveness of HMF delivery	(A15) <i>Lack of guarantee:</i> This is not a funding source per se, but reduces the risk exposure of lenders. Loan guarantee reduces the amount of capital required by the lender on outstanding loans. It is a fallback position for lenders and increases their liquidity. Credit guarantee schemes insure the repayment of a loan and motivate lenders to lend to LIGs. MFIs can use guarantee to secure funding from financial institutions. <i>Credit and Liquidity risk:</i> delay in repayment, non-payment (both principal interests and overheads charges on time) which threatening the sustainability of HMF. Also on the part of HMFs needs money before repayment due date.	(B15) The risk of some client running away with funds. Risk of mistrust among clients and MFIs. Risk of diversion of funds. Improper insurance cover for the loan and lack of proper technical support services. Credit risk with respect to HMF repayment failures, inadequate monitoring methods and mechanisms of loans. <i>Economic risk or cash flow risk:</i> interest rate risk, prepayment risk, inflation risk, and exchange rate risk. <i>Legal and Political risk:</i> the risk that the legal and political framework where the lending takes place may change.	(C15) Risk of bad debt (collateral inadequacy, low capacity to pay within time, land litigation). Lack of utmost good faith. Property market not reliable. Lack of enough and adequate knowledge of clients, inadequate collateral and failed guarantees. <i>Agent behavioral risk:</i> divergence of interests may cause LIGs to behave or divert money for other use. <i>Systemic and environmental risk:</i> the microfinance environment or system crisis in one region to the other.

Appendix 22: Extract from the Field Notebook

Opportunity micro-finance

1. The need for loans - ~~provision~~
2. increase participation
3. help diversity financial risk
4. increase client based
5. improve customer loyalty
6. high demand for loan & finance other services

From loans & other services

to

improves clients' social capital
are able to put up their houses

Processes

driven by their mission

- help & poor
- regulatory monitoring by way of reports to BoS
- BoS supervise them

Fund-f

Various as a company

- deposits
- equity
- bonds
- other financial instruments

Risks

credit and default risk - credit loss

- interest rate
- lack of long term financial mechanism & term mismatched
- High loan prices due to speculators
- intermediaries' loan delivery more differentiable & rich for the poor
- Rapid urbanization putting pressure on land in urban areas

Government role

- the sector sustain government operations
- free market economy enable them to thrive
- improve the livelihood of urban poor
- through other org. such as BoG
- lowering trade capital
- is a bit flexible
- can partnership with banks

Challenges

1. Lack of legal & financial literacy
2. quality of a lot of branches
3. Lack of understanding about concept

Barriers

- * No. much of a capacity to pay problem (human & time)
- * Credit services & collateralization
- * Collateral security
- * Multiple trust & reliability
- * Lack of knowledge & client before doing & you
- * No. Get more details of their client apart of client info

Demand

- * Land documents
- * Imp. process
- * Land litigation
- * Concealment
- * Vital information about the sector

- Lack of property registration
- Lack of difficulty in transfer & low property literacy
- Lack of registration of houses or mitigation
- Collateral registry @ BoS
- low, but it's very low
- facilitates the processes on supply side
- price of houses, finance
- inflation - lowers lost value

Culture is its factor?

Neutral: it's changing as people are for nuclear family than extended family. But not as clear extent is not clear.

Critical factor

1. Lack of legal framework/legal
- legislation created by long delays in court cases / process
- Lack of secure & transparent land title

Source: Field Survey, 2014.

Appendix 23: Ghana economically active population 15 years and older by sex employment status and region

Employment Status	All Regions		Western	Central	Greater Accra	Volta	Eastern	Ashanti	Brong Ahafo	Northern	Upper East	Upper West
	Percent	Number										
Both Sexes	100.0	10,373,678	971,703	889,465	1,849,114	881,313	1,121,536	1,963,012	991,189	988,658	441,288	276,400
Employee	18.2	1,886,241	187,671	148,518	647,518	99,329	170,798	389,051	126,020	63,450	32,994	20,892
Self-employed without employees	59.9	6,214,589	574,387	578,667	890,708	638,140	765,497	1,151,441	615,371	578,673	273,620	148,085
Self-employed with employees	4.9	503,902	41,508	36,049	134,909	24,870	45,312	132,968	40,503	32,253	10,104	5,426
Casual worker	2.0	207,042	28,436	15,985	43,129	13,006	19,807	50,761	17,281	11,235	4,124	3,278
Contributing family worker	11.6	1,198,436	109,482	83,097	49,322	86,235	86,445	139,687	159,152	280,805	110,736	93,475
Apprentice	2.7	280,276	22,425	21,791	64,152	13,710	26,353	85,683	25,674	11,095	5,983	3,410
Domestic employee (househelp)	0.6	65,811	6,216	4,184	15,769	4,910	5,537	10,685	5,546	8,488	3,086	1,390
Other	0.2	17,381	1,578	1,174	3,607	1,113	1,787	2,736	1,642	2,659	641	444
Male	100.0	5,056,848	493,391	408,212	912,119	415,219	545,838	958,678	492,042	493,261	207,293	130,795
Employee	25.3	1,279,830	136,559	103,834	430,006	67,212	116,032	259,288	85,954	44,995	22,000	13,950
Self-employed without employees	54.4	2,748,801	263,989	230,955	523,129	282,216	342,885	492,278	299,084	306,051	131,090	77,144
Self-employed with employees	5.6	283,205	23,503	20,333	75,160	14,016	25,201	76,818	22,304	18,045	5,003	2,822
Casual worker	2.8	139,624	21,041	11,370	29,425	8,552	13,580	34,293	12,648	4,429	2,456	1,830
Contributing family worker	8.7	440,525	35,396	29,634	15,946	34,833	33,019	46,908	59,397	109,201	42,978	33,213
Apprentice	2.5	126,122	9,025	9,619	30,202	5,642	11,459	42,770	9,093	5,264	2,068	980
Domestic employee (househelp)	0.6	29,265	3,052	1,879	6,023	2,146	2,572	4,799	2,741	4,018	1,401	634
Other	0.2	9,476	826	608	2,228	602	1,090	1,524	821	1,258	297	222
Female	100.0	5,316,830	478,312	481,253	936,995	466,094	575,698	1,004,334	499,147	495,397	233,995	145,605
Employee	11.4	606,411	51,112	44,684	217,512	32,117	54,766	129,763	40,066	18,455	10,994	6,942
Self-employed without employees	65.2	3,465,788	310,398	347,732	567,579	355,924	422,612	659,163	316,287	272,622	142,530	70,941
Self-employed with employees	4.2	220,697	18,005	15,716	59,749	10,854	20,111	56,150	18,199	14,208	5,101	2,604
Casual worker	1.3	67,418	7,395	4,615	13,704	4,454	6,227	16,468	4,633	6,806	1,668	1,448
Contributing family worker	14.3	757,911	74,086	53,463	33,376	51,402	53,426	92,779	99,755	171,604	67,758	60,262
Apprentice	2.9	154,154	13,400	12,172	33,950	8,068	14,894	42,913	16,581	5,831	3,915	2,430
Domestic employee (househelp)	0.7	36,546	3,164	2,305	9,746	2,764	2,965	5,886	2,805	4,470	1,685	756
Other	0.1	7,905	752	566	1,379	511	697	1,212	821	1,401	344	222

Source: GSS (2013)